Alberta Treasury Branches 2001 Annual Report

AT ATB, WE ARE AS UNIQUE AS THE ALBERTANS WE SERVE. IT'S TRUE WE OFFER SIMILAR PRODUCTS AND SERVICES, FINANCIAL ADVICE AND COUNSEL AS OUR COMPETITORS. THE DIFFERENCE IS IN THE WAY WE DELIVER THOSE PRODUCTS AND SERVICES, AND GIVE THAT ADVICE AND COUNSEL. LIKE ALBERTANS, WE'RE OPEN AND FRIENDLY, DOWN-TO-EARTH, BUT SAVVY. WE UNDERSTAND THE VALUE OF A DOLLAR AND WE APPRECIATE HOW HARD YOU'VE WORKED FOR YOUR MONEY. AND WE'VE NEVER BECOME TOO BIG OR SOPHISTICATED TO REMEMBER OUR ROOTS. IN THIS ANNUAL REPORT, WE'LL SHOW YOU THE MANY WAYS IN WHICH ATB IS DIFFERENT. WE ARE CONFIDENT THAT YOU'LL APPRECIATE OUR DIFFERENCE AS MUCH AS WE DO.

TO BE ALBERTA'S FIRST CHOICE FOR FINANCIAL SERVICES IN THREE TARGET MARKET AREAS:

ALBERTANS INVESTING IN ALBERTA.

TO PROVIDE PERSONALIZED FINANCIAL SERVICES TO ALBERTANS WHILE EARNING A FAIR RETURN.

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Highlights

For the years ended March 31	**2001**	2000	1999	1998	1997
FINANCIAL POSITION *($ in thousands)*					
Total deposits	**10,918,863**	9,924,626	9,022,310	8,726,065	8,408,193
Total loans	**9,545,609**	8,924,691	8,036,775	7,460,424	7,300,367
Equity (deficit)	**434,107**	272,638	44,148	(66,544)	(151,978)
OPERATING RESULTS *($ in thousands)*					
Interest income	**809,826**	703,741	630,584	545,796	592,961
Interest expenses	**447,857**	371,870	343,652	294,643	352,983
Net interest income	**361,969**	331,871	286,932	251,153	239,978
Provision for (recovery of) credit losses	**20,969**	(41,821)	3,787	(4,173)	198,343
Net interest income after provision for credit losses	**341,000**	373,692	283,145	255,326	41,635
Other income	**89,075**	94,560	74,120	65,446	66,070
Net interest and other income	**430,075**	468,252	357,265	320,772	107,705
Non-interest expenses	**268,606**	239,762	246,573	235,338	232,035
Net income (loss)	**161,469**	228,490	110,692	85,434	(124,330)
STATISTICAL HIGHLIGHTS					
Customer deposit accounts	**1,119,164**	1,011,880	1,030,300	977,560	959,031
Customer loan accounts	**236,128**	211,695	206,598	208,535	207,087
Branches	**144**	144	148	148	147
Agencies	**130**	130	129	130	131
Staff (full-time equivalents)	**2,675**	2,505	2,493	3,161	3,268
KEY PERFORMANCE MEASURES *(percentage)*					
Operating revenue growth	**5.77**	18.11	14.04	3.45	0.19
Net interest margin	**3.26**	3.33	3.16	2.92	2.79
Other income to operating revenue	**19.75**	22.17	20.53	20.67	21.59
Expenses to operating revenue	**59.55**	56.23	68.29	74.33	75.82
Return on average assets	**1.46**	2.29	1.22	0.99	(1.44)
Operating expense growth	**12.03**	(2.76)	4.77	1.42	12.96
Net impaired loans to total gross loans	**(0.58)**	(0.46)	(0.30)	2.23	4.38
Credit losses to average loans	**0.22**	(0.49)	0.05	(0.06)	2.65
Loan growth	**6.96**	11.05	7.73	2.18	(4.86)
Deposit growth	**10.02**	10.00	3.39	3.78	(3.12)
Asset growth	**11.68**	12.39	5.26	4.14	(3.99)

Message from

the Chairman of the Board

TODAY, ALBERTA IS BOOMING. THE PROVINCE'S NOMINAL GROSS DOMESTIC PRODUCT GREW BY A STAGGERING 22 PERCENT LAST YEAR, PRIMARILY AS A RESULT OF BUOYANT OIL AND NATURAL GAS PRICES. WITH A RECORD LABOUR FORCE OF OVER 1.6 MILLION AND THE HIGHEST PARTICIPATION RATE IN CANADA, RETAIL SALES IN ALBERTA REGISTERED A GAIN OF 8.8 PERCENT. AND THE PROVINCE'S GROWTH WAS AIDED BY IN-MIGRATION OF NEARLY 22,000 AND A SEVEN PERCENT INCREASE IN DISPOSABLE INCOME. BUT ALBERTA HAS HAD ITS UPS AND DOWNS.

From ATB's founding in 1938 in the dark days of the Depression to the present, ATB has been a stalwart companion to the citizens of Alberta. Through adversity and prosperity, ATB, like Albertans, has seasoned and matured, emerging wiser and stronger.

Today our economy is thriving, due in no small measure to the health of our oil and natural gas industry. Our province's reliance on the energy industry is well understood, by Albertans and other Canadians. What is less appreciated by those outside our provincial boundaries are the other factors that contribute to this province's wealth. Factors such as our entrepreneurial spirit, our integrity, our respect for the individual, our courage in adversity and the optimism that enables the people of this province to confront difficulty and remain confident.

As a Board member and now Chairman of ATB's Board of Directors, I have learned that the people of ATB share these characteristics. The ability of ATB management and employees to "see outside the box", their willingness to grow, their ideals and attitude toward customer service – these attributes differentiate the people of ATB. And if a financial institution can be said to have a personality, these comprise ATB's personality.

I believe this is why ATB is fast becoming the financial institution of choice in many communities across this province – including towns and villages that are being abandoned by ATB's competitors. As the folks at ATB say: "We admit it, we're different". Like me, and the 500,000 ATB customers across this province, I hope you will come to appreciate and celebrate the ATB difference.

In July 2000, the provincial government appointed Brian McCook from Lloydminster to ATB's Board of Directors. The Board would also like to acknowledge the contributions of Garnett Millard, Ray Nelson and Marshall Williams who have all left the Board in the past year. Appointed in 1996, Marshall was ATB's first Chairman and his sage advice and dedication have helped to shape ATB's transition to the preeminent financial institution it has become.

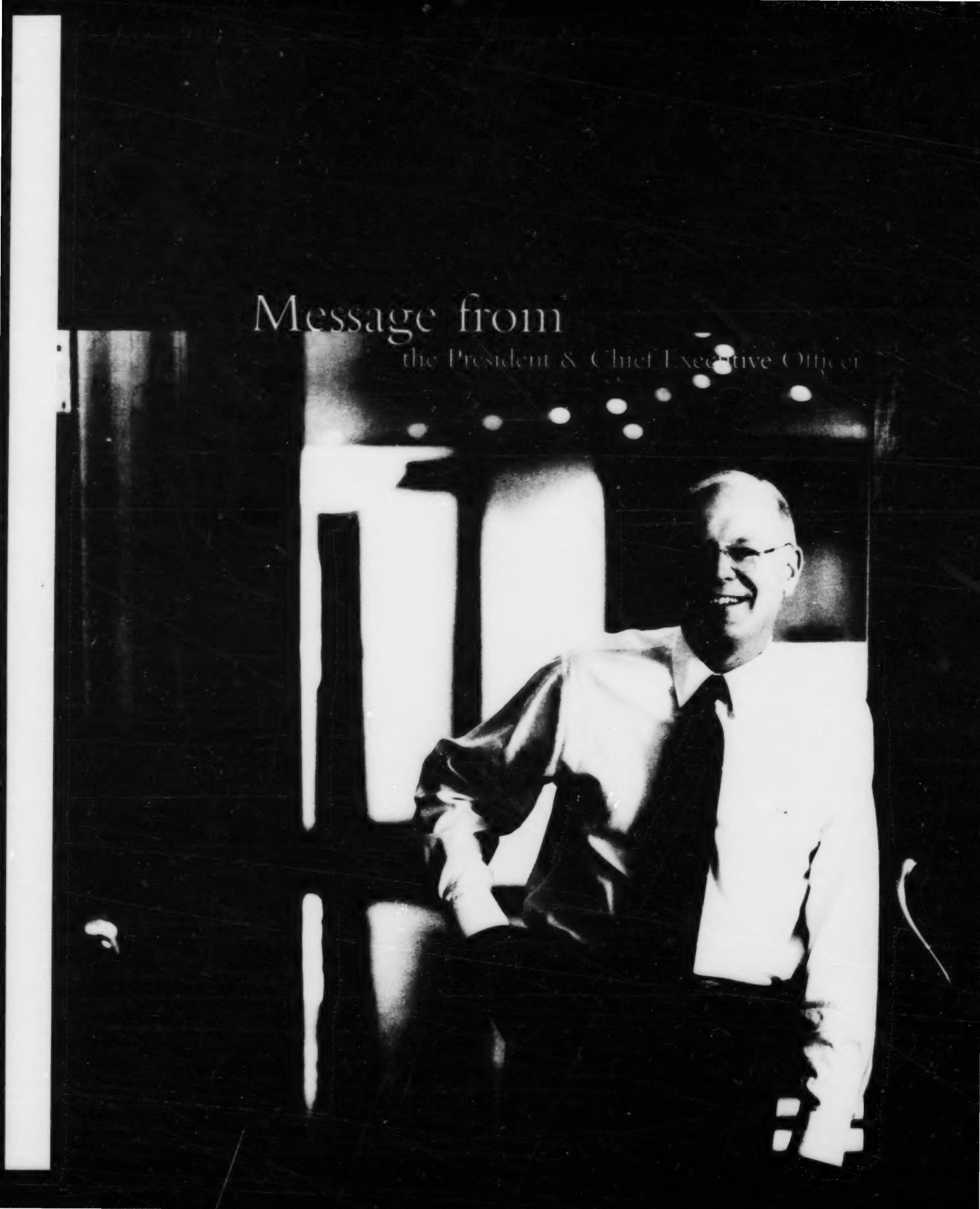
On behalf of the ATB's Board of Directors, I would like to congratulate our more than 2,600 employees across Alberta for another very successful year. Over the past several years, they have transformed this financial institution and once again ATB's financial and operating results have proven the extent of the expertise, dedication and creativity among the staff.

In closing, I join my fellow Board members, and ATB's management and staff in wishing every one of our customers continued prosperity and success in the years to come. Our collective pledge is to continue to develop and deliver the financial products, services and counsel you need to realize your dreams.

Ron P. Triffo
Chairman of the Board
May 30, 2001

Message from

the President & Chief Executive Officer



ATB's President and Chief Executive Officer, Paul Haggis, discusses the ATB difference, our outlook and the past year's challenges and accomplishments.

HOW IS ATB DIFFERENT FROM ITS COMPETITORS?

First, ATB has a concentrated focus. While our competitors pursue national and international ambitions, we are Alberta born and bred. We are fully committed to doing business in the cities, towns and villages, across this province. Major Canadian banks are reducing costs by centralizing their business operations in larger centres, and in Alberta that means Edmonton and Calgary. At ATB, we realize this creates a business opportunity for us. We are expanding our services to the many Albertans who are being overlooked by the major banks.

Second, ATB has a greater service orientation to customers. Our roots are in rural Alberta, and we have never lost our focus on and respect for the individual. This means customers speak with an ATB employee when they contact our call centre. We visit customers at their place of business, their store or factory. We work for Albertans.

IN WHAT WAY DOES ATB WORK FOR ALBERTANS?

If you were to design a financial institution for Albertans, it would need to be sophisticated, computerized, friendly and responsive. It would have to be big enough for Canada's energy industry and connected enough for agricultural transactions between Stettler and Singapore. It would be staffed by the kind of innovative, intelligent people who built this province and made it great. It would have the people, products and access that Albertans want and need. And it would look a lot like today's Alberta Treasury Branches.

HOW HAVE PEOPLE'S EXPECTATIONS CHANGED AROUND FINANCIAL SERVICES?

Today, people are more mobile, they are expected to save for retirement and invest more and they are more likely to be self-employed than ever before. All this has created the demand for more sophisticated financial services and comprehensive packages of investment products and services.

This is why, over the past decade, financial services institutions have evolved from transaction-focused to more consultative roles. Not so long ago, a financial institution's role was simple. It was a secure place to store money, it provided loans to qualified customers and transaction services. Today, the world is much more complicated.

HOW HAS ATB RESPONDED TO THIS NEW DEMAND?

Fundamentally, banking is a relationship of trust. A banker likely knows as much about their customer as any other professional, including the family doctor. Today, as people's financial needs have multiplied, professional counsel can assist them in planning for retirement, help to ensure their investments are protected and grow and help them meet their financial goals.

As a trusted institution, we develop and market the kinds of services our customers need. Services like succession planning, equity-linked products, saving for retirement, diversified mortgage products designed to meet individual requirements and Guaranteed Investment Certificates.

LOTS OF FINANCIAL INSTITUTIONS OFFER THE KINDS OF PRODUCTS AND SERVICES ATB HAS DEVELOPED. WHAT'S DIFFERENT ABOUT ATB?

ATB is absolutely committed to Albertans. We think that access differentiates ATB from many of our competitors. We are committed to making ATB available to all our customers, not just the ones who want to use the Internet or telephone.

A good example of our unique approach to meeting Albertans needs came with the construction of our state-of-the-art Customer Contact Centre in Calgary. Prior to building the centre, we sat down with a number of customers. They told us "don't force us to talk to a machine when we call you". They really disliked being forced into a queue and through an automated call answering system. They were consistent in saying they wanted to talk to live operators. So we've built the support and resources of the Call Centre around this feedback. When Albertans call us, we answer the phone in person!

Another fundamental difference between ATB and our competitors is our commitment to rural Alberta and our branch network. ATB is the primary financial institution outside of Calgary and Edmonton. As the bigger financial institutions abandon smaller towns and villages, ATB is still committed to these communities. In many ways, we think we're the perfect financial institution for Albertans.

IF ATB IS DIFFERENT, DOES THAT MEAN THAT ALBERTANS ARE DIFFERENT TOO?

Albertans are the most entrepreneurial Canadians. We are innovative and financially sophisticated but we expect friendly, capable service. ATB reflects those Alberta values.

We understand the value of independent business in Alberta's economy and we have developed some very ingenious ways to support small business. We recently opened a Business Financial Services Centre in Calgary. Our customers can use the centre to teleconference, access the Internet, hold a meeting or transact business. With this approach, our relationship managers are more often out with our customers, at their businesses, providing support where it is needed.

Agri-business is another area in which we excel. With our roots in rural Alberta, we understand the unique needs of our agricultural customers. We recruit extensively in the agricultural colleges throughout the province. We look for people who have expertise in agriculture and train them to become financial advisors who understand our agricultural customers and want to live and work in rural areas.

ATB HAS EXPERIENCED STRONG FINANCIAL RESULTS IN THE PAST FOUR YEARS. IS THIS YEAR IN LINE WITH THOSE RESULTS?

The 2000-2001 fiscal year was the best year ATB has ever experienced. We enjoyed growth in all lines of business, with core operating earnings (before non-recurring items, specific loan loss recoveries and changes in general loan loss allowance) reaching an all time high of $150.7 million, compared to $105.6 million last year. Core revenue increased by $65.3 million, while loan volume increased by $620.9 million. Our balance sheet finished the year at $11.7 billion, an increase of $1.2 billion over last year. We are particularly pleased with our deposit growth, with an additional $994.2 million entrusted to ATB over last year. Our equity at the end of the fiscal year was $434.1 million, an increase of $586.1 million from the 1997 year-end.

The key measures of our success are satisfied customers and market share. ATB again increased its market share in Alberta, which says we continue to outpace our competitors. And a recent national survey by the Canadian Federation of Independent Business named ATB as the top financial services provider to Alberta small business. As well, ATB's portfolio of agri-industry products and services is the most innovative in this province, if not across Canada.

Our financial performance is an indicator of our success in that we deliver "what Albertans want, where and when they want, all at a price they think it is worth."

I feel very proud of this great organization and want to again thank all of my ATB Associates and the Board of Directors who have made this year so successful.

Paul G. Haggis
President & Chief Executive Officer
May 30, 2001

PEOPLE, PROD

EVERY DAY, IN 144 BRANCHES ACROSS ALBERTA, THE MORE THAN 2,600 PEOPLE WHO WORK FOR ATB HELP THEIR CUSTOMERS NAVIGATE THE COMPLICATED WORLD OF 21ST CENTURY FINANCE. OUR AIM IS TO HELP ALBERTANS REALIZE THEIR FINANCIAL GOALS, REGARDLESS OF WHETHER THEY ARE YOUNG OR OLD, COMPUTER SAVVY OR FIRST-TIME USERS, ISOLATED BY GEOGRAPHY, READY TO RETIRE OR JUST STARTING OUT. TO DO THIS WE HAVE DEVELOPED A COMPREHENSIVE SUITE OF PRODUCTS AND

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SERVICES; WE HAVE MADE CERTAIN THOSE PRODUCTS AND SERVICES ARE ACCESSIBLE THROUGH THE NEIGHBOURHOOD BRANCH, BY TELEPHONE OR ELECTRONICALLY AND WE HAVE ENSURED THEY ARE DELIVERED BY CAPABLE, FRIENDLY STAFF WHO SHARE OUR RESPECT FOR THE PEOPLE WE SERVE. AT ATB OUR PEOPLE, PRODUCTS AND ACCESS COMBINE TO CREATE THE ATB DIFFERENCE.

people.

ATB is only as good as its people.
With a person like Gord Mooney on staff,
we're confident we're very good.

Avery Morissette and Tiddles for a Teenie.

Left to right:
Dana Lovelace, *Personal Financial Service Manager*; Sarah Meade, *Relationship Manager*; and Jim Bladon, *Senior Relationship Manager*

Gord Mooney, now ATB's Vice-President Credit, was nominated in March 2001 by his team for an E Award, given by Alberta Venture Magazine to Alberta's most enterprising employees. Over the past two and a half years, as General Manager of Independent Business, Gord led the difficult transition from a product driven sales process to the development of a customer relationship culture at ATB.

The nomination was made by Gord's team of sales managers in recognition of his encouragement of creative thinking. According to team members, Gord challenged conventional ideas and traditions that impeded the development of customer relationships and provided his team with the technology and support they needed to make the transition.

Gord Mooney, Vice-President Credit

Gord was also a participant in the Governor General's Canadian Study Conference 2000, held every four years to introduce Canada's future business, labour, public sector and community leaders to a variety of complex socio-economic issues. One of 32 Alberta representatives to the Conference, Gord was nominated by the ATB executive team to attend the three-week fact-finding tour and closing symposium in Québec City.

During the year, Gord also received the silver medal for his performance in the Fellow of the Institute of Canadian Bankers program. A second ATB employee, Dana Lovelace, received a gold medal for the Specialist in Financial Counselling program. Dana received the highest overall mark in Canada for the course.

Gord and Dana typify the quality of people we want representing ATB. At ATB, our employees are highly trained, ethical individuals who conclude transactions quickly and accurately, as well as provide the complex financial counselling our customers expect and need. To do this, we attract the very best people, and provide appropriate incentives and compensation to employees. We also offer staff continuing education and training that will help them to serve customers better.

TRAINING

During the past year, ATB allocated approximately $3.2 million to employee training. A total of over 6,000 training days were sponsored by ATB, including about 1,500 to leadership training in partnership with the Banff Centre for Management.

In March 2001, ATB received the Leadership Excellence Award from the Banff Centre for our sustained efforts in leadership transformation. The award was initiated to recognize organizations that have dedicated resources to improving the culture of their organization. For the past three years, ATB has sent its managers through a variety of skill-enhancing leadership programs at the Centre. The impact of this development has been an overall increase in the level of leadership within ATB, which has translated into improved customer service, a more efficient operation and a positive shift in ATB's culture.

COMMUNITY SUPPORT

ATB has been an integral part of the fabric of Alberta for almost six decades. As a responsible corporate citizen, ATB encourages and supports activities that contribute to the well-being of Albertans. We recognize the importance of corporate giving in helping to build, preserve and strengthen community vitality. We believe effective community relations result from the successful integration of corporate sponsorships, corporate donations, employee involvement and community partnerships.

Donations are visible expressions of ATB's social responsibility. Sponsorships are generally more marketing-orientated, entered into on a business basis and supported by a community relations program. Our corporate priorities include education, youth and technology; health and community; arts and culture; and sports and recreation.

ATB's annual province-wide Teddy for a Toonie campaign raises money in support of the Alberta Children's Hospital Foundation and the Children's Health Foundation, foundations devoted to improving childrens' health across Alberta. Customers at ATB branches and agencies throughout Alberta are encouraged to donate $2 to the cause by entering a Teddy for a Toonie draw that offers a chance to win a stuffed teddy bear. ATB's 2001 campaign raised over $135,000.

We are also helping agencies and community groups support their constituencies by developing appropriate financial products and services. In October 2000, ATB launched the Community Spirit Account. In early 2000, a very in-depth review of how ATB customers used their accounts indicated a need for a low cost account that non-profit community organizations, such as Legions or a band class from a local school, could operate. We recognized that many non-profit customers were using a variety of accounts that didn't necessarily offer the best value for their needs.

The Community Spirit Account is an interest bearing chequing account that provides a number of free and low cost transactions with no monthly fee. ATB is very confident that this new account will provide exceptional value to many organizations. In fact, today there are more than 2,800 non-profit community organizations using the Community Spirit Account.

ATB is committed to making a difference through the manner in which we serve our customers and through our contributions to the hundreds of Alberta communities that ATB calls home. The Community Spirit Account is just one more expression of ATB's unique way of conducting business with Albertans.

individual financial services

We call them ATB superstars

ATB's retail line of business is built on the strength of our people.

Vanessa Knecht, Customer Service Specialist, ATB Customer Contact Centre — One of the many new ATB business center specialists.

Banking is fundamentally a people business and with strong, dedicated professionals like Vanessa Knecht, Claudette Ushko and Don Lyons, the future looks very bright for ATB's retail line of business. To ensure that Vanessa, Claudette and Don can provide the best products and services possible, ATB embarked on a mission to identify the unique needs of our customers and support these findings with products, access and knowledgeable service experts. We conduct ongoing research with our customers to ensure we are providing the products and services they see as a priority and of value to them.

In 2000, as a result of our research, ATB introduced a new line-up of savings and chequing accounts, a new travel rewards option for our retail MasterCard products and a suite of GIC products that are second to none.

Left to right:
Claudette Ushko, Personal Financial Service Centre Leader; Christine Uddin, Manager, Administration Office; Don Lyons, Manager, Relationship Centre

NEW ACCOUNT LINE-UP

In October 2000, ATB's "All About Customer Choice" account project introduced a completely new line-up of chequing and savings accounts designed to meet the different transaction needs of our customers. Whether customers want to use the convenience of ATB's extensive network of ABM machines, pay a bill using telephone banking service, transfer funds over the Internet, write a cheque or conduct their banking in person, ATB has an account that can accommodate any need. The unique difference at ATB is that we believe our customers deserve the ability to choose how they want to conduct their banking business. After all, this business is "all about customer choices".

GIC PRODUCTS

The fiscal year was ATB's strongest ever in regard to sales of GIC products as the GIC and term deposit portfolio grew by over 15 percent. The strength of our growth efforts stems from the fact that our product offerings are now built around the specific investment needs and expectations of our customers. In light of this approach, two unique GIC products were developed specifically for ATB investors: the Century GIC and the North American Equity-Linked GIC.

Alberta's 100th Anniversary is taking place in 2005, and the Century GIC is the first in a series of five annual GIC products that will help Albertans celebrate this milestone. Sales of the first Century GIC were exceptional and Albertans can look forward to ATB's next offering of this unique series in the fall of 2001.

The North American Equity-Linked GIC is tied to two major Canadian and US indices and was designed to give Albertans an opportunity to reap potentially higher returns from the stock market without putting their principal at risk. It is just one more way that ATB works to provide a unique line-up of investment products that meets the needs and expectations of our customers.

MASTERCARD "MY REWARDS"

In early 2000, extensive research was conducted with ATB customers in an effort to develop a MasterCard rewards program that would be valuable to our cardholders and easy to use. "My Rewards" became the newest member of the ATB MasterCard family in September 2000, providing customers with the ability to accumulate points that can be redeemed towards travel or merchandise. With no minimum point redemption, Albertans now have access to travel anywhere anytime on any airline with this unique loyalty program. Customers earn one point for each dollar charged and the points never expire. "My Rewards", uniquely Albertan, uniquely ATB.

Products that meet the needs of Albertans are fundamental to our point of differentiation in the marketplace but they are only one part of the retail services we provide. We've also expanded the ways customers can deal with us and ATB continues to add branches as a cornerstone to helping Albertans. In the past year, we have added new branches or completed branch renovations in Sherwood Park, Drumheller, Grande Prairie, Lloydminster and Calgary.

Further development is slated for growing markets in Calgary, Cochrane, Cold Lake, Edmonton, Fort Saskatchewan and Red Deer. We plan to add three new branches – Calgary Crowfoot, Red Deer South and Edmonton Rabbit Hill – and relocate five existing branches in the next year.

At ATB, we believe that a strong branch presence that provides friendly, professional and well-advised service that is complemented with an array of electronic delivery options, will satisfy the expectations of our customers. In support of this philosophy, ATB introduced a retail online banking package in October 2000. Customers now have electronic access to accounts and information over the Internet and are able to complete their banking with the click of a button. Whether it's from home or office, ATB Online is an integral part of our need to provide multiple points of contact between ATB and our customers.

PERSONAL SERVICES

Deposit Accounts

- Unlimited Service Account
- e-Service Account
- Full Service Chequing Account
- Full Service Savings Account
- Investment Savings Account
- Generation Account
- Senior Plan
- Students First Account
- US Dollar Savings Account

Investments

Regular Products

- Compound Interest Certificates (CIC)
- Guaranteed Investment Certificates (GIC)
- Term Deposit Certificates
- US Term Deposit Certificates

Seasonal Products

- Flexible GIC
- Springboard GIC
- Cashable GIC
- Variable Rate GIC
- Optimum Rate GIC
- Century GIC Series

Linked Products *(seasonally offered as both registered and non-registered)*

- Commodity Linked
- Oil Linked
- Pipeline
- Equity Linked
- Western Canadian
- Canadian
- North American
- Global

Mutual Funds

- offer the Merrill Lynch family of funds (Merrill Funds)

Registered Products *(offer most investments under the following plans)*

- Registered Retirement Savings Plans (RRSPs)
- Registered Retirement Income Funds (RRIFs)
- Registered Education Savings Plans (RESPs)
- Retirement Savings Building Account

Cards

- Alberta MasterCard
- Alberta Gold My Rewards MasterCard
- Alberta Gold Cash Rebate MasterCard
- Advantedge MasterCard
- Alberta Students First MasterCard
- Debit Card

Personal Loans

- Advantedge Line of Credit
- Personal Loans
- Overdraft Protection
- Students First Line of Credit
- Investment Loans

Mortgages

- Conventional
- Insured (CMHC/GE Capital)
- Mortgedge Line of Credit

Loan Insurance

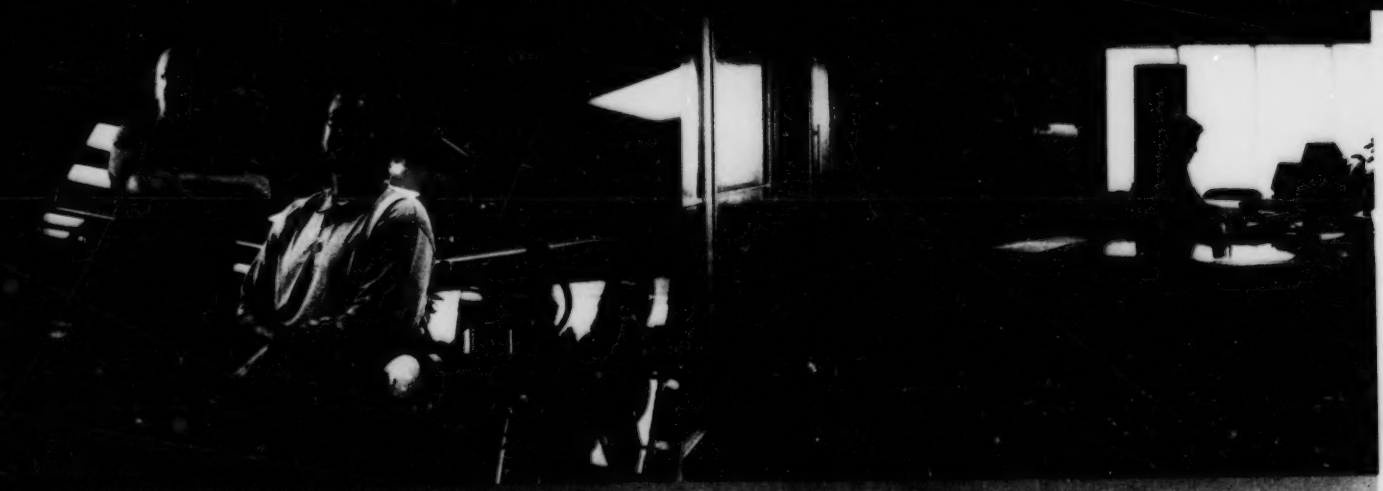
- Group Creditor Life, Accidental Dismemberment and Permanent Loss
- Group Creditor Disability Insurance

Other Personal Services

- Telephone Banking
- ATB Online Internet Banking
- Safekeeping
- Money Services

independent business

It's Monday morning, 7:00 a.m.
Do you know where your account managers are?



If you are a business client in ATB's Edmonton region, chances are they're cycling the river valley – with their boss, on the way to the weekly staff meeting. And chances are equally good that twelve hours later, they'll be visiting you in your shop, restaurant, office or factory.

We want to understand the challenges, goals and strengths of your business and we know we can't do that sitting behind a desk at an ATB branch. We know that as a small business person, you may not have the time to come to us for your financial needs. So we come to you.

In surveying ATB business clients, we have learned that the single most important factor behind their selection of a financial service provider is continuity. Our business customers don't want a new face every time they need a new product or service, they want to deal with somebody they know, somebody who understands and respects their unique needs. Our dedicated relationship teams are structured to work closely with our independent business customers and our compensation programs are designed to reward ATB employees who help their business customers succeed and grow.

ATB recognizes the important role that independent businesses have in Alberta's economy. We also understand the challenges that business owners face in managing and maintaining a successful business.

In Alberta, independent business is big business. There are approximately 122,000 businesses in Alberta, with 95 percent employing less than 50 people. Employment in this sector is growing quickly.

ATB has developed innovative products and services designed to facilitate growth in this sector. In August 2000, for example, our first Business Financial Services Centre opened in Calgary. In addition to an around-the-clock automated service, our business customers have weekday access to meeting rooms, video conferencing and training facilities, computer and Internet access. The ABMs at the Centre, the first of their kind in Canada, offer a choice of conventional envelope or wallet deposits which accept loose or rolled coins. While waiting to use an ABM, customers can tune in to world financial market information displayed on television monitors.

ATB Online, introduced in 1999, brings the power and convenience of Internet banking to Alberta businesses. Accounts are accessible seven days a week. ATB Online utilizes the latest technology to ensure that information is kept safe, and customers can elect to allow multiple users with different access levels. ATB Business Relationship Managers assist customers with set up.

Running a business takes a special commitment and responsibility. The success of our business customers depends on meeting their financial obligations and reducing risks wherever possible. Our Business Loan Insurance helps to protect our customers by making loan payments while they are disabled. Our Business Loan Life Insurance pays off loans in the event of a customer's death.

We offer a full range of financial tools for our business customers, including customized, flexible and competitively priced financing to help our customers maximize their business operations. We also offer government guaranteed and professional practice loans.

Our Alberta BusinessCard offers a convenient alternative to business operating loans, enables customers to consolidate business expenditures and makes record keeping easier. Customers can access up to $50,000 in credit and use the card as they would any credit card. Interest rates are individualized and a minimum payment of just three percent of the balance is required on billing.

A recent national survey by the Canadian Federation of Independent Business named ATB as the top financial services provider to Alberta small business and we are resolved to continue to design and develop innovative products and services that help our business customers succeed and grow.

BUSINESS SERVICES

Deposit Accounts

- Full Service Chequing Account
- e-Service Account
- Savings Account
- Community Spirit Account
- US Dollar Chequing Account
- US Dollar Savings Account
- Customized Account

Investments

Regular Products

- Compound Interest Certificates (CIC)
- Guaranteed Investment Certificates (GIC)
- Term Deposit Certificates
- US Term Deposit Certificates

Seasonal Products

- Flexible GIC
- Springboard GIC
- Cashable GIC
- Variable Rate GIC
- Optimum Rate GIC
- Century GIC Series

Business Loans

- Capital Financing Loans
- Operating Loans
- Government Guaranteed Loans
- Professional Practice Loans
- Pick Your Payment
- Letters of Credit

Cards

- Alberta Business MasterCard

Loan Insurance

- Group Creditor Life, Accidental Dismemberment and Permanent Loss

Services

- ATB Online Internet Banking
- Electronic Funds Transfer (EFT)
- Merchant MasterCard/Visa and Direct Payment
- Telephone Banking
- Safekeeping
- Money Services
- Payroll

agri-industry

ATB is putting a fresh face on Alberta's agri-industry.

We hire farmers, ranchers and foresters to be bankers.

Ed Spurling, Agriculture Relationship Manager, Farm Credit Canada (L) and ATB customer Julius Tschumper, Alberta Oats Ltd.

At ATB, we hire individuals with farming backgrounds to be bankers, not try to make bankers into farmers. Leslie Olson, who works out of ATB's Westlock branch, was born and raised on a farm.

She attended the University of Alberta and earned a BSc in Agricultural and Food Business Management. Her goal: return to the family farm in Athabasca. Her goal that is, until we recruited her for our unique agricultural training program, designed to develop agricultural expertise throughout ATB's ranks.

Leslie Olson, Agricultural Account Manager, Tofield, Westlock

In Alberta, farming is not a cottage industry. It's a $7 billion commodity business, owned and operated by some of Canada's most sophisticated business people. Nobody knows Alberta farmers like ATB. That's because ATB's agricultural business has been developed by and for Alberta farmers. By people who appreciate the unique challenges of operating a business that's dependent on understanding both local weather and global economic patterns.

During 2000/01 ATB focused on providing enhanced customer service and on developing products to meet the diverse needs of the agricultural industry, both primary producers and value-added agribusiness.

As our customers move into the competitive global marketplace, their needs for unique and comprehensive solutions continue to increase. We are working on a number of initiatives, some with strong international companies, to provide sophisticated financial transactions, products and services that our customers require.

For the first time ever, ATB has introduced a suite of products and services designed to meet the needs of the agri-industry. This group of savings and chequing accounts is designed to meet the unique needs of primary producers and agribusiness customers who can choose the type of account and delivery method most suitable to their individual business operation.

We recognize that agriculture is a capital-intensive enterprise, requiring seasonal access to large amounts of credit repaid after crops are sold or livestock brought to market. Our customers can conveniently use our new AgriBusinessCard as they would any credit card, to purchase feed, seed, livestock or fertilizer. Designed to meet the unique needs of farmers, the card line of credit allows for a minimum monthly payment, the ability to write cheques on the account, and interest rate customization based on each customer's unique need and circumstance.

Recognizing that time is a valuable commodity for our customers, ATB has continued to expand products and services that allow groups of farmers to administer their own lending programs on a shared risk basis. Continued enhancements to lending products, such as the Feeder Association program and the Breeder Association program have expanded ATB's commitment to facilitating the increasing demand for financial products delivered in this way. Our Agricultural Equipment Conditional Sales Contract program provides an effective farm equipment financing alternative through our affiliated farm equipment dealerships.

Assisting our customers with ongoing risk management remains a high priority at ATB. Specialized industries require commitment of specialized resources. We continue to hire students from agricultural post-secondary schools for our rural branches, who have a good understanding of the agricultural industry and a strong commitment to the rural economy. In addition, we continue to maintain a pool of highly experienced, professional agrologists who offer technical advice and assistance to our branches and customers as required. We also have a forestry specialist on staff to consult with our forestry customers and to develop a specialized suite of products and services for the forestry industry.

These new and revised products and services, combined with the expertise of our staff, has resulted in record growth in ATB's agri-industry portfolio. Our agri-industry loans now exceed $1.2 billion, an increase of approximately 9.2 percent from the previous year's level.

Our objective is to provide a full range of leading edge financial products and services to maximize the customer experience. Flexible, customized and fairly priced products help our customers remain competitive in the global marketplace. An important component of risk management is covered through our agricultural loan insurance product, which can cover loan payments during disability or retire lines of credit in the event of a customer's death.

Our commitment is to continue providing a comprehensive and leading edge suite of agri-industry products and services to our customers. External partnerships and alliances with complementary providers is a key component of the overall strategy.

AGRI-INDUSTRY SERVICES

Deposit Accounts
- Full Service Chequing Account
- e-Service Account
- Savings Account
- Customized Account
- US Dollar Chequing Account
- US Dollar Savings Account
- NISA Account

Agri-Industry Loans
- Agri-Term
- Agri-Plan
- ATB Specialty Loans
- Breeder Association
- Cost Cutter
- Conditional Sales Contracts
- Equity Agri-Plan
- Feeder Association
- Government Guaranteed Loans
  - Farm Improvement Loans
  - Alberta Farm Development Loans

Investments

Regular Products
- Compound Interest Certificates (CIC)
- Guaranteed Investment Certificates (GIC)
- Term Deposit Certificates
- US Term Deposit Certificates

Seasonal Products
- Flexible GIC
- Springboard GIC
- Cashable GIC
- Variable Rate GIC
- Optimum Rate GIC
- Century GIC Series

Cards
- AgriBusiness MasterCard

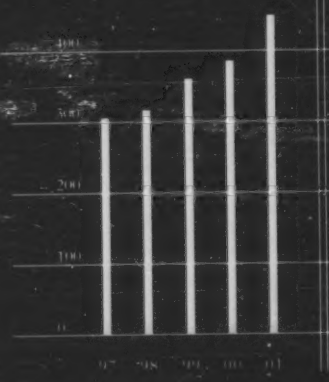
Loan Insurance
- Group Creditor Life, Accidental Dismemberment and Permanent Loss

Services
- Agriculture Services
- ATB Online Internet Banking
- Telephone Banking
- Safekeeping
- Money Services
- Electronic Funds Transfer (EFT)

Management's Discussion and Analysis

Core Operating Revenue

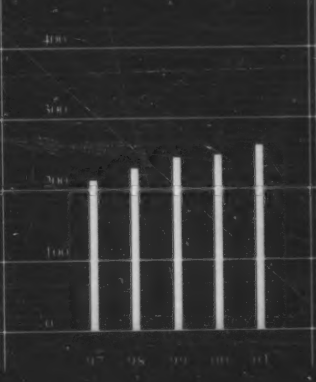
($ in millions)



Core operating revenue of $451.1 million increased 16.91 percent over last year's $385.8 million.

Core Non-interest Expenses

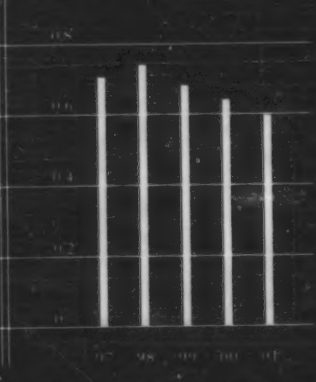
($ in millions)



Core non-interest expenses of $268.6 million increased 8.28 percent over last year's $248.1 million.

Core Productivity Ratio

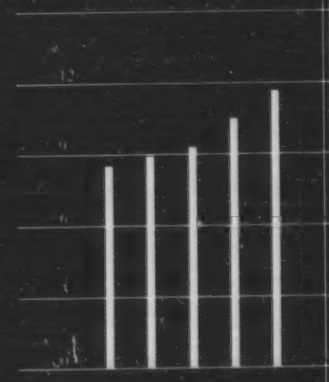
(percentage)



ATB's core productivity ratio, which is determined as the ratio of core non-interest expenses to total core revenues, was 59.55 percent compared to 64.29 percent last year.

Total Assets

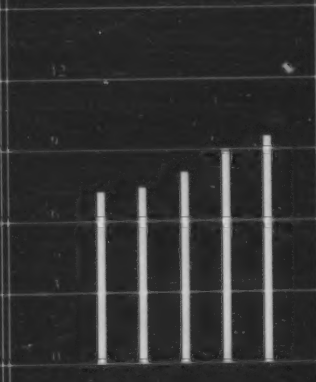
($ in billion)



Total assets of $11.7 billion increased 17.68 percent over last year's $10.4 billion.

Total Loans

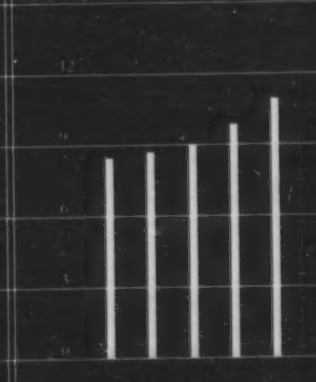
($ in billion)



Total loans of $9.5 billion increased 6.96 percent over last year's $8.9 billion.

Total Deposits

($ in billion)



Total deposits of $10.9 billion increased 10.02 percent over last year's $9.9 billion.

This report includes forward-looking statements. ATB from time to time may make forward-looking statements in other written or verbal communications. These statements include objectives for the short and medium term and strategies to achieve those objectives. ATB cautions reader not to place undue reliance on the forward-looking statements as actual results may differ materially from plans, objectives and expectations.

By their very nature, forward-looking statements involve uncertainties and can change due to a variety of reasons including legislative or regulatory changes, competition, technological changes, and changes in interest rates and general economic conditions. The foregoing list is not exhaustive and when relying on forward-looking statements these factors as well as other factors should be considered.

INTRODUCTION AND HIGHLIGHTS

Core Earnings

The discussion that follows focuses on ATB's core operating results. Results reported in past consolidated financial statements include non-recurring or unusual items that are not part of typical day-to-day operations and may obscure the analysis of performance or assessment of trends. This year, there were no significant one-time items, but prior years' core earnings are as follows:

TABLE 1 – CORE EARNINGS

For the years ended March 31 ($ in thousands)	2001	2000	1999	1998	1997
REPORTED NET EARNINGS	**$ 161,469**	$ 228,490	$ 110,692	$ 85,434	$ (124,330)
NON-RECURRING ITEMS:					
Net interest income					
Interest received on past impaired loans	–	26,137	–	–	–
Other income					
Sale of share options held by ATB	–	4,950	–	–	–
Surplus from a group creditors' life insurance program	–	9,525	–	–	–
	–	14,475	–	–	–
Other expenses					
Reduction in pension liabilities	–	8,293	3,385	7,005	5,119
Restructuring costs	–	–	(5,003)	(9,531)	(22,175)
	–	8,293	(1,618)	(2,526)	(17,056)
Total non-recurring items	–	48,905	(1,618)	(2,526)	(17,056)
CORE EARNINGS	**$ 161,469**	$ 179,585	$ 112,310	$ 87,960	$ (107,274)

ATB's core earnings include significant specific loan loss recoveries and changes in general allowance for credit losses. The 2001 core earnings of $161.5 million include specific loan loss recoveries of $22.8 million and an increase in general allowance of $12.0 million. Core earnings of $179.6 million in the year 2000 included specific loan loss recoveries of $45.5 million and a decrease in the general allowance of $28.5 million. Core operating earnings (before non-recurring items, specific loan loss recoveries and changes in the general loan loss allowance) would be $150.7 million for 2001, compared to $105.6 million in 2000 as shown below:

($ in thousands)	2001	2000
Core earnings	**$ 161,469**	$ 179,585
General loan loss allowance change	**12,010**	(28,521)
Specific loan loss recoveries	**(22,823)**	(45,507)
Core operating earnings (before specific loan loss recoveries and changes in general allowance)	**$ 150,656**	$ 105,557

Financial Statement Review

TABLE 2 – KEY CORE PERFORMANCE MEASURES

The following measures exclude the impact of non-recurring items described in Table 1.

As at March 31 (percentage)	2001	Budget 2001	2000	1999	*Industry Average
Operating revenue growth	**16.91**	**1.78**	6.86	14.04	16.83
Net interest margin	**3.26**	**2.88**	3.07	3.16	1.82
Other income to operating revenue	**19.75**	**21.35**	20.76	20.53	55.46
Expenses to operating revenue	**59.55**	**64.70**	64.29	67.84	65.40
Return on average assets (before tax)	**1.46**	**1.07**	1.80	1.24	1.14
Operating expense growth	**8.28**	**2.43**	1.27	5.22	15.67
Net impaired loans to total gross loans	**(0.58)**	**–**	(0.46)	(0.31)	0.03
Credit losses to average loans	**0.22**	**0.26**	(0.49)	0.05	0.49
Loan growth	**6.96**	**8.38**	11.05	7.73	11.07
Deposit growth	**10.02**	**4.41**	10.00	3.39	11.53
Asset growth	**11.68**	**5.74**	12.39	5.26	10.01

* *Average of eight major banks as at October 31, 2000.*

Operating Revenue

Operating revenue consists of net interest income and other income.

Core operating revenue of $451.1 million for the year ended March 31, 2001 consists of core net interest income of $362.0 million and core other income of $89.1 million. Core operating revenue increased by $65.3 million or 16.91 percent over last year's $385.8 million. Growth in interest earning assets (loans to customers, deposits with banks and securities) combined with continued higher than expected net interest margins were the primary contributors to the increase.

ATB targets its rate of operating revenue growth to be in the range of 4.00 to 4.50 percent for 2002. Expected lower interest rates will reduce ATB's net interest margin.

Net Interest Income

Net interest income is the difference between interest earned on loans to customers, deposits with banks and securities, and interest expense incurred on deposits and other liabilities.

Core net interest income increased to $362.0 million for the year ended March 31, 2001, an increase of 18.39 percent compared to last year's core net interest income of $305.7 million. This increase is due to growth in average interest earning assets of $1.1 billion and an increase in the core net interest margin of 0.19 percent to 3.26 percent.

Net Interest Margin

The net interest margin is the ratio of net interest income to average total assets.

ATB's core net interest margin of 3.26 percent for the year ended March 31, 2001, compares favourably to last year's core net interest margin of 3.07 percent, a planned 2001 margin of 2.88 percent and the Canadian banking industry average of 1.82 percent.

The significant favourable variance to budget during the year was largely due to the positive impact of short-term interest rates increasing during the first half of the year and actual growth exceeding planned deposit growth.

The main reason ATB's net interest margin exceeds the industry average is that ATB maintains a strong retail deposit base and has a smaller share of the corporate market, which tends to yield lower returns.

ATB expects its net interest margin to be between 3.10 and 3.20 percent for 2002.

TABLE 3 – AVERAGE BALANCES AND CORE AVERAGE INTEREST RATES

	2001				2000			
As at March 31 ($ in thousands)	Average balances	Mix (%)	Interest rate (%)	Core interest	Average balances	Mix (%)	Interest rate (%)	Core interest
ASSETS								
Deposits with banks and securities	$ 1,431,343	12.90	5.84	$ 83,584	$ 1,200,943	12.05	4.95	$ 59,486
Loans								
Mortgage loans	3,839,406	34.61	6.69	256,816	3,488,332	34.99	6.47	225,800
Consumer loans	1,467,356	13.23	8.77	128,743	1,261,526	12.66	8.19	103,293
Other loans	4,051,675	36.52	8.41	340,683	3,706,005	37.18	7.80	289,025
Total loans	9,358,437	84.35	7.76	726,242	8,455,863	84.83	7.31	618,118
Total earning assets	10,789,780	97.25	7.51	809,826	9,656,806	96.88	7.02	677,604
Non-earning assets	304,808	2.75	–	–	311,322	3.12	–	–
	$11,094,588	100.00	7.30	$809,826	$ 9,968,128	100.00	6.80	$ 677,604
LIABILITIES AND EQUITY								
Deposits								
Demand	$ 1,696,980	15.30	1.39	$ 23,645	$ 1,625,440	16.31	1.01	$ 16,349
Notice	1,345,439	12.13	2.23	29,986	1,358,743	13.63	1.94	26,410
Fixed term	7,431,634	66.98	5.29	393,328	6,599,264	66.20	4.98	328,802
Total deposits	10,474,053	94.41	4.27	446,959	9,583,447	96.14	3.88	371,561
Non interest-bearing liabilities	242,419	2.19	–	–	246,345	2.47	–	–
Subordinated debentures	14,969	0.13	6.00	898	5,784	0.06	5.34	309
Equity	363,147	3.27	–	–	132,552	1.33	–	–
	$11,094,588	100.00	4.04	$447,857	$ 9,968,128	100.00	3.73	$ 371,870
Core net interest margin			3.26	$361,969			3.07	$ 305,734

TABLE 4 – CHANGE IN NET INTEREST INCOME

For the years ended March 31 ($ in thousands)	2001 vs 2000 Increases (decreases) due to changes in Volume	Rate	Total	2000 vs 1999 Increases (decreases) due to changes in Volume	Rate	Total
ASSETS						
Deposits with banks and securities	**$ 11,412**	**$ 12,686**	**$ 24,098**	$ (1,915)	$ (1,670)	$ (3,585)
Loans						
Mortgage loans	22,725	8,291	31,016	28,736	(6,638)	22,098
Consumer loans	16,853	8,597	25,450	11,171	556	11,727
Other loans	26,958	24,700	51,658	21,924	(5,144)	16,780
Total loans	66,536	41,588	108,124	61,831	(11,226)	50,605
Change in core interest income	**$ 77,948**	**$ 54,274**	**$ 132,222**	$ 59,916	$ (12,896)	$ 47,020
LIABILITIES AND EQUITY						
Deposits						
Demand	$ (720)	$ (6,576)	$ (7,296)	$ (69)	$ 482	$ 413
Notice	259	(3,835)	(3,576)	1,553	2,919	4,472
Fixed term	(41,472)	(23,054)	(64,526)	(38,450)	5,656	(32,794)
Total deposits	(41,933)	(33,465)	(75,398)	(36,966)	9,057	(27,909)
Subordinated debentures	(309)	(280)	(589)	(309)	–	(309)
Change in interest expense	(42,242)	(33,745)	(75,987)	(37,275)	9,057	(28,218)
Change in core net interest income	**$ 35,706**	**$ 20,529**	**$ 56,235**	$ 22,641	$ (3,839)	$ 18,802
Non-recurring interest income in 2000 (see Table 1)			(26,137)			26,137
Change in net interest income			**$ 30,098**			$ 44,939

Other Income

Other income consists of service charges, credit fees, commission, card fees, foreign exchange revenue, gains on sale of assets and other sundry items.

Core other income is $89.1 million for the year ended March 31, 2001, an increase of 11.23 percent compared to last year's $80.1 million.

This increase is mainly attributable to rapid growth in card products and increased foreign exchange commission. Credit fees decreased as a result of ATB discontinuing its high ratio mortgage program in favour of the federal government's Canada Mortgage and Housing Corporation (CMHC) program.

During the year, ATB reviewed and restructured account service charges with the objective of offering better value to its customers. The net financial result of this revision was not significant; however, the charges are now better aligned with the actual cost of service.

ATB's ratio of core other income to core operating revenue is 19.75 percent in 2001, down slightly from last year's 20.76 percent. This decline is attributable to substantially increased net interest income compared to last year. ATB's ratio of other income to operating income continues to be significantly less than that of the major Canadian banks, as ATB does not generate revenue from trading, investment banking or brokerage activities.

ATB expects other income growth in the range of 5.00 to 6.00 percent for 2002.

TABLE 5 – OTHER INCOME

For the years ended March 31 ($ in thousands)	2001	2000	1999	1998	1997
Service charges	$ 44,352	$ 41,720	$ 38,627	$ 34,108	$ 32,597
Credit fees	17,115	17,508	16,200	14,515	16,762
Commission and other income	11,937	10,016	8,386	6,644	6,827
Card fees	10,182	7,182	5,980	5,522	4,935
Foreign exchange	5,489	3,659	4,927	4,657	4,949
Core other income	89,075	80,085	74,120	65,446	66,070
Non-recurring income (see Table 1)	–	14,475	–	–	–
Total	$ 89,075	$ 94,560	$ 74,120	$ 65,446	$ 66,070

Non-Interest Expenses

Non-interest expenses consist of employees' salaries and benefits, cost of branch buildings and equipment, electronic processing and communication charges and other costs incurred in providing financial services to customers.

TABLE 6 – NON-INTEREST EXPENSES

For the years ended March 31 *($ in thousands)*	2001	2000	1999	1998	1997
Human resources	$ 136,018	$ 121,659	$ 126,238	$ 130,387	$ 118,680
Occupancy	29,949	29,213	30,051	33,677	32,049
Equipment and software	12,365	9,463	10,706	13,919	15,525
Communication	10,799	10,285	10,923	10,752	9,775
Information technology	38,896	40,872	34,024	21,269	16,628
Agencies	4,713	4,329	4,353	4,279	3,738
Marketing and supplies	10,508	11,030	11,398	8,882	8,584
Deposit guarantee fee	12,739	9,925	7,519	–	–
Other	12,619	11,279	9,743	9,647	10,000
Core non-interest expenses	268,606	248,055	244,955	232,812	214,979
Unfunded pension liability	–	(8,293)	(3,385)	(7,005)	(5,119)
Restructuring costs	–	–	5,003	9,531	22,175
Total non-recurring items	–	(8,293)	1,618	2,526	17,056
Total non-interest expenses	$ 268,606	$ 239,762	$ 246,573	$ 235,338	$ 232,035
Year over year change in core non-interest expenses	8.28%	1.27%	5.22%	8.30%	5.72%

Core non-interest expenses were $268.6 million for the year ended March 31, 2001, an increase of 8.28 percent compared to last year's $248.1 million.

The majority of the increase in non-interest expenses relates to increased human resource costs. Base salary adjustments and additional staff resulted in an increase of $7.3 million, while incentive pay and other benefits increased by $7.0 million.

Equipment and software costs increased by $2.9 million to $12.4 million. This increase is due to increased amortization costs largely attributable to placing new software and systems into production during the fiscal year, and opening and renovating a number of branches.

Information technology costs decreased by $2.0 million due to reduced external consulting costs during the year.

The deposit guarantee fee increased by $2.8 million. The deposit guarantee fee is payable annually to the province to compensate for the unlimited principal and interest guarantee provided by the provincial government to ATB's depositors. First introduced in 1999, the fee is being phased in over a six-year period. The base fee is calculated on total deposits outstanding at March 31.

TABLE 7 - MAJOR COMPONENTS OF CHANGE IN CORE NON-INTEREST EXPENSES

For the years ended March 31 *($ in thousands)*	Contribution to change in core non-interest expenses 2001		2000	
Human resources	$ 14,359	5.79%	$ (4,579)	(1.87)%
Equipment and software	2,902	1.17%	(1,243)	(0.50)%
Information technology	(1,976)	(0.80)%	6,848	2.80%
Deposit guarantee fee	2,814	1.13%	2,406	0.98%
Other items	2,452	0.99%	(332)	(0.14)%
Change in core non-interest expenses	$ 20,551	8.28%	$ 3,100	1.27%

Productivity

The ratio of non-interest expenses to operating revenue measures productivity and is calculated as non-interest expenses divided by total revenue.

ATB's productivity ratio of 59.55 percent compares favourably to both last year's 64.29 percent and ATB's objective for the year of 64.70 percent. The improvement in this ratio is primarily attributable to greater than expected net interest income.

TABLE 8 – PRODUCTIVITY

For the years ended March 31 *($ in thousands)*	2001	2000	1999	1998	1997
Core operating revenue	$ 451,044	$ 385,819	$ 361,052	$ 316,599	$ 306,048
Core non-interest expenses	268,606	248,055	244,955	232,812	214,979
Core productivity ratio	59.55%	64.29%	67.84%	73.54%	70.24%

ATB anticipates the productivity ratio will increase to over 61.00 percent in 2002. This increase is forecast due to increased costs related to compensation and benefits to attract and retain employees, as well as investments in technology and risk management processes.

Credit Quality

The key measures used to assess credit quality are actual loan losses as a percentage of average total loans and the ratio of impaired loans to total gross loans. The percentage of actual loan losses to average total loans is a measure of financial performance, while the level of impaired loans is a measure of the financial condition of the credit portfolio.

TABLE 9 – GROSS AND NET IMPAIRED LOANS

As at March 31 *($ in millions)*	2001	2000	1999	1998	1997
Gross impaired loans	**$ 112.5**	$ 122.6	$ 179.5	$ 414.3	$ 582.0
Less allowance for credit losses:					
Specific allowance	**44.9**	52.6	64.4	101.9	205.1
General allowance	**123.7**	111.6	140.2	140.7	46.1
	168.6	164.2	204.6	242.6	251.2
Net impaired loans	**$ (56.1)**	$ (41.6)	$ (25.1)	$ 171.7	$ 330.8
Net impaired loans as a percentage of total gross loans	**(0.58)%**	(0.46)%	(0.30)%	2.23%	4.38%
Gross loans	**$ 9,714.2**	$ 9,088.9	$ 8,241.4	$ 7,703.0	$ 7,551.6

TABLE 10 – NET IMPAIRED LOANS BY MARKET SEGMENT

As at March 31	Gross impaired loans			Allowance for credit losses			Net impaired loans		
($ in millions)	2001	2000	1999	2001	2000	1999	2001	2000	1999
Individual financial services	**$ 31.8**	$ 19.1	$ 19.8	**$ 5.9**	$ 4.0	$ 4.5	**$ 25.9**	$ 15.1	$ 15.3
Agricultural	**21.2**	43.5	40.6	**3.8**	5.8	6.9	**17.4**	37.7	33.7
Independent business, commercial and other	**59.5**	60.0	119.1	**35.2**	42.8	53.0	**24.3**	17.2	66.1
General allowance	**–**	–	–	**123.7**	111.6	140.2	**(123.7)**	(111.6)	(140.2)
Total	**$112.5**	$ 122.6	$ 179.5	**$168.6**	$ 164.2	$ 204.6	**$ (56.1)**	$ (41.6)	$ (25.1)

Provision for Credit Losses

ATB recorded loan losses of $21.0 million for the year ended March 31, 2001, compared to loan loss recoveries of $41.8 million last year. Average total loans increased to $9.4 billion for 2001 compared to $8.5 billion for 2000. The ratio of annual charge for credit losses to average total loans, 0.22 percent, compares favourably to the target ratio of 0.26 percent.

TABLE 11 – ANNUAL PROVISION FOR CREDIT LOSSES

For the years ended March 31 ($ in thousands)	2001	2000	1999	1998	1997
Loans:					
Specific provision for credit losses	$ 8,959	$ (16,600)	$ (40,671)	$ (98,807)	$ 181,200
General provision for credit losses	12,010	(28,521)	(542)	94,634	17,143
Off-balance sheet items:					
Specific provision for off-balance sheet items	–	3,300	45,000	–	–
Annual provision for credit losses	$ 20,969	$ (41,821)	$ 3,787	$ (4,173)	$ 198,343
Annual provision for credit losses as a percentage of average loans	0.22%	(0.49)%	0.05%	(0.06)%	2.63%

ATB expects its provision for credit losses to increase moderately to approximately 30 basis points of average loans and remain lower than the industry average.

Impaired Loans

Gross impaired loans (before deducting the allowance for credit losses) are $112.5 million at March 31, 2001, compared to $122.6 million a year ago. The allowance for credit losses exceeds the gross amount of impaired loans by $56.1 million at March 31, 2001, compared to $41.6 million last year.

General Allowance

The general allowance recognizes that not all credit losses can be specifically identified on a loan by loan basis. The level of general allowance fluctuates with changes in the nature and composition of ATB's loan portfolio, shifts in the economic cycle and the effectiveness of ATB's credit granting process. The overall adequacy of the general allowance is reviewed regularly by ATB's management.

During 2001, ATB refined its process for estimating appropriate levels of the general allowance. For the year ended March 31, 2001 ATB's general allowance for credit losses consisted of an allocated allowance and an unallocated allowance.

The allocated general allowance is management's best estimate of probable losses not yet specifically identified and is calculated through the use of a quantitative model, largely based on expected default rates and loss factors. It also includes an allowance for specific events that have occurred that will result in credit losses; however, the losses cannot yet be identified on an individual loan basis. This allowance is comparable to previous years' general allowance on higher risk loans and off balance sheet items.

The unallocated general allowance is a qualitative estimate of the probable losses that have not been identified by either the specific or allocated general allowance. It includes consideration for changing economic and business conditions, and the expected impact that they will have on the modelled allocated general loss calculation. This allowance is comparable to the general economic allowance established in previous years.

TABLE 12 – GENERAL ALLOWANCE

As at March 31 *($ in thousands)*	2001	2000	1999	1998	1997
General allocated allowance	$ 54,820	$ 49,905	$ 78,426	$ 78,968	$ 46,068
General unallocated allowance	68,829	61,734	61,734	61,734	–
Total	$ 123,649	$ 111,639	$ 140,160	$ 140,702	$ 46,068
Year over year change	$ 12,010	$ (28,521)	$ (542)	$ 94,634	$ 17,143
Percentage of total gross loans	1.27%	1.23%	1.70%	1.83%	0.61%

Balance Sheet

ATB's total assets are $11.7 billion as at March 31, 2001, an increase of $1.2 billion or 11.68 percent over last year. That growth exceeded target asset growth of 5.74 percent.

ATB anticipates asset growth in the range of 4.50 to 5.50 percent in 2002.

TABLE 13 – TOTAL ASSETS

As at March 31 *($ in millions)*	2001	2000	1999	1998	1997
Total assets	$ 11,651	$ 10,432	$ 9,282	$ 8,818	$ 8,467
Year over year change	11.68%	12.39%	5.26%	4.14%	(3.99)%

Return on Assets

ATB realized a 1.46 percent core return on average assets for the year ended March 31, 2001. This compares favourably to the target return of 1.07 percent and is a result of strong net interest income recorded during 2001.

ATB expects the return on average assets to be in the range of 1.25 to 1.30 percent in 2002.

TABLE 14 – CORE RETURN ON AVERAGE ASSETS

For the years ended March 31 *($ in thousands)*	2001	2000	1999	1998	1997
Core earnings (loss)	$ 161,469	$ 179,585	$ 112,310	$ 87,960	$ (107,274)
Return on average assets	1.46%	1.80%	1.24%	1.02%	(1.25)%

Loans

Total loans, net of allowance for credit losses increased by $620.9 million to $9.5 billion at March 31, 2001. This year over year growth of 6.96 percent fell short of planned loan growth of 8.38 percent.

The individual financial services lending segment which includes residential mortgages and personal lending comprises 56.76 percent of ATB's loan portfolio. For the year ended March 31, 2001, this segment experienced growth of 8.85 percent compared to planned growth of 10.83 percent. The largest growth occurred in the agricultural segment with growth of 9.19 percent compared to planned growth of 6.76 percent. Growth in the independent business and commercial segment was 2.89 percent compared to planned growth of 4.20 percent. Overall, ATB's loan portfolio by market segment remained relatively unchanged from 2000.

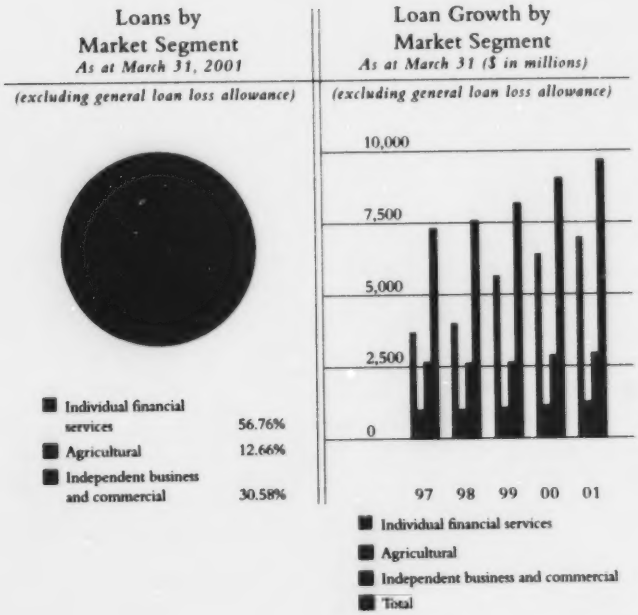


TABLE 15 – CHANGE IN LOANS BY MARKET SEGMENT

As at March 31 *($ in millions)*	2001	2000	1999	1998	1997
Individual financial services	**$ 5,488**	$ 5,042	$ 4,469	$ 3,970	$ 3,693
Year over year change	**8.85%**	12.82%	12.57%	7.50%	3.65%
Agricultural	**1,224**	1,121	1,063	1,038	995
Year over year change	**9.19%**	5.46%	2.41%	4.32%	(3.68)%
Independent business and commercial	**2,957**	2,874	2,645	2,593	2,659
Year over year change	**2.89%**	8.66%	2.01%	(2.48)%	(14.39)%
Total excluding general allowance	**9,669**	9,037	8,177	7,601	7,347
Year over year change	**7.00%**	10.52%	7.58%	3.46%	(4.61)%
General allowance	**(123)**	(112)	(140)	(141)	(46)
Total including general allowance	**9,546**	8,925	8,037	7,460	7,301
Year over year change	**6.96%**	11.05%	7.73%	2.18%	(4.85)%

TABLE 16 – INTEREST INCOME BY LENDING MARKET SEGMENT

As at March 31	Interest income			Average assets			Average interest rate		
($ in millions)	**2001**	2000	Change	**2001**	2000	Change	**2001**	2000	Change
Individual financial services	**$ 386**	$ 322	19.75%	**$5,289**	$ 4,743	11.50%	**7.29%**	6.79%	0.50%
Agricultural	**95**	82	16.81%	**1,156**	1,063	8.79%	**8.24%**	7.67%	0.57%
Independent business and commercial	**245**	202	21.56%	**2,968**	2,706	9.70%	**8.27%**	7.46%	0.81%

Deposits

ATB's deposit business includes a wide range of deposit and investment products as well as sundry financial services. Total deposits increased by $994.2 million to $10.9 billion at March 31, 2001. This year over year growth of 10.02 percent far exceeded planned deposit growth of 4.41 percent.

Personal deposits increased by $650.7 million or 11.50 percent over 2000, while business and other deposits increased by $343.5 million or 8.05 percent. The large increase in personal deposits is the result of strong response to specific deposit marketing campaigns. Most notable campaigns include ATB's Springboard, Optimum Rate and Century GIC campaigns.

TABLE 17 – DEPOSITS BY CATEGORY

As at March 31 ($ in millions)	2001	2000	1999	1998	1997
Demand	**$ 1,875**	$ 1,657	$ 1,568	$ 1,556	$ 1,391
Notice	**1,438**	1,353	1,381	1,486	1,492
Fixed term	**7,606**	6,915	6,073	5,684	5,525
Total	**$ 10,919**	$ 9,925	$ 9,022	$ 8,726	$ 8,408
Year over year change	**10.02%**	10.00%	3.39%	3.78%	(3.12)%
Retail, business and other	**$ 9,702**	$ 8,561	$ 8,007	$ 7,758	$ 7,875
Year over year change	**13.33%**	6.92%	3.20%	(1.50)%	(3.40)%
Wholesale	**1,217**	1,364	1,015	968	533
Year over year change	**(10.78)%**	34.38%	4.86%	81.60%	1.20%
Total	**$ 10,919**	$ 9,925	$ 9,022	$ 8,726	$ 8,408

The mix of ATB's deposits by category (i.e. demand, notice and fixed term deposits) at March 31, 2001 is very similar to last year as shown in the charts below.

ATB expects deposits to grow in the range of 4.00 to 5.00 percent in 2002.

2001 Comparison of Deposit Mix by Category
(percentage)

Demand	17.17%
Notice	13.17%
Fixed	69.66%

2000 Comparison of Deposit Mix by Category
(percentage)

Demand	16.70%
Notice	13.63%
Fixed	69.67%

Risk Management

Overview

ATB manages risk through a control environment that includes planning and identifying the organization's vision, objectives and strategies, risks and opportunities, and establishing performance targets and measures.

The control environment requires people who display mutual trustworthiness and a commitment to ethical values in addition to possessing the knowledge, skills, tools and systems needed to achieve corporate objectives. It requires an appropriate definition and allocation of authority, responsibility and accountability. Finally, it requires constant reassessment and monitoring of internal and external developments and fostering a climate of continuous improvement.

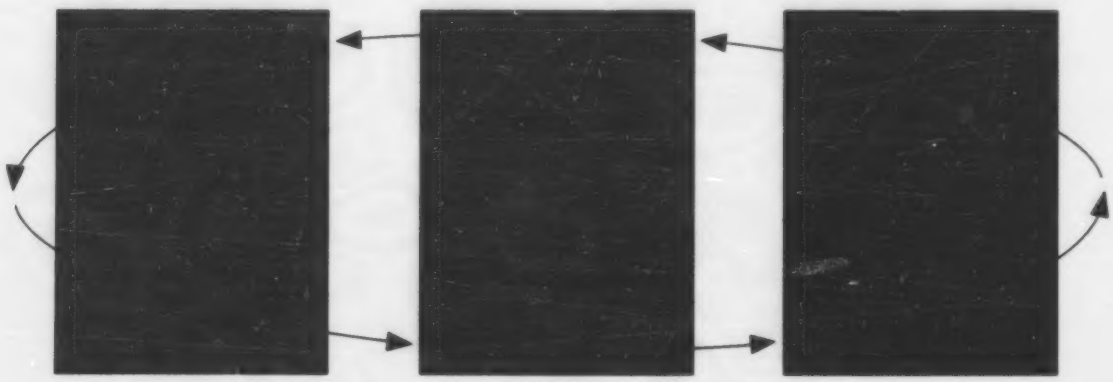
The primary risks which ATB actively manages are credit, market, liquidity and operational risk. Policies and strategies for managing these risks are developed by management and approved by the Audit Committee and the Credit Policy and Risk Management Committee of the Board of Directors. ATB's risk management policies incorporate the recommendations of the Canada Deposit Insurance Corporation including capital adequacy requirements.

Audit Committee of the Board
Reviews budgets and monitors progress against plans, reviews financial results and other key measures of performance, reviews the control environment, approves the internal audit plan and reviews internal audit results.

Credit Policy and Risk Management Committee of the Board
Reviews and approves credit and other risk management policies, monitors compliance to approved policies, reviews trends in ATB's risk profile, and reviews and approves high value credit proposals.

Asset Liability Management Committee
Oversees market and liquidity risk management activities, assesses management strategies and assumptions used, approves minimum or maximum rates of interest for all deposit and loan programs, approves the terms and conditions for all loan and deposit programs as they relate to asset/liability management.

Credit Management Committee
Recommends policy and establishes credit procedures and practices, reviews new credit programs and reviews and approves high value loans within specified limits.



Credit Risk Management

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from loans as well as loan commitments, letters of credit, letters of guarantee and loan guarantees.

ATB's primary objective is to ensure that actual annual loan losses are contained within a range of 0.25 percent and 0.45 percent of total net average loans.

Key principles underlying credit risk management include policies that clearly define the level of risk the organization is willing to accept, together with the expected return for the risk accepted, and a clear segregation of credit granting, adjudication and credit collection.

ATB manages credit risk both at the transaction level and at the portfolio level. Prior to initial approval, each credit proposal is assessed to evaluate the borrower's character and ability to service the debt, industry risk and the adequacy of security provided. All credit proposals are initiated by front-line lenders. Lending limits are established on the basis of the experience of the lender and the nature of the loan. Loans exceeding lender's limits are subject to review and approval by a separate and independent group of credit managers. Higher value loans are reviewed and approved by the Credit Management Committee and, depending on the value of the loan, are also reviewed by the Credit Policy and Risk Management Committee of the Board, prior to approval.

Maintaining a diversified portfolio is an essential element of effective credit risk management. ATB believes that although restricted to the Alberta marketplace through legislation, a diversified portfolio can still be achieved. Portfolio limits have been established for maximum exposures by market segment, industry classification and geographic location.

TABLE 18 – DIVERSIFICATION OF NON-CONSUMER LOANS BY INDUSTRY

	Percentage of non-consumer loans	
As at March 31	2001	2000
Agricultural and related services	27.22	26.15
Real estate	12.29	11.70
Mining/Energy/Forestry	12.16	10.93
Accommodation, food and beverage	8.67	9.93
Retail trade	5.70	5.71
Construction	5.50	5.55
Manufacturing	4.87	5.15
Transportation	4.44	4.79
Finance and insurance	3.34	4.26
Wholesale trade	3.26	3.34
Other services	3.34	2.15
Educational services/Health and social services	1.25	1.41
Communication and other utilities	1.58	1.30
Other	6.38	7.63
Total	100.00	100.00

Approximate regional distribution of ATB's loan portfolio as at March 31, 2001.

In addition, lending caps have been established to limit exposures in certain intrinsic lines of business, to single borrowers or counter-parties, or specific product offerings.

ATB utilizes an internal risk-rating system on its business and agricultural loans to identify and measure the risks associated with credit proposals, and further utilizes this data to quantify and manage the risk within various portfolios and lines of business. ATB continues to use the Equifax BEACON score to assist in managing its consumer lending portfolio. A BEACON score uses customer bureau information to predict the probability of loan repayment. An automated consumer loan origination program was introduced last year which augments the use of the BEACON score with customized scorecards and automated loan policies.

This new system significantly improves the management of consumer credit risk at the portfolio level, while at the same time providing lenders with state of the art lending tools designed to improve and expedite the credit approval process. Similar tools and process improvements are currently being considered for use in other parts of the loan portfolio.

The key measure used to assess credit quality is actual loan losses as a percentage of average loans. For the year ended March 31, 2001, ATB had a provision for credit losses of $21.0 million resulting in 0.22 percent credit losses to average loans, as discussed on pages 34, 35 and 36.

ATB does not expect the percentage of actual loan losses to average loans to exceed 0.30 percent for fiscal 2002.

Market Risk Management

Market risk is the risk associated with changes in market factors such as interest rates, foreign exchange rates, equity and commodity prices. ATB's primary exposure to market risk results from changes in interest rates. ATB does not trade directly in equities or commodities, and as such there is no direct risk of price change, only the indirect risk associated with our customers' financial affairs.

Key principles underlying market risk management include daily and weekly monitoring of risk exposure and regular review of expectations, assumptions and the management strategies employed. ATB uses derivative transactions to hedge market risks. ATB is restricted from entering into derivative transactions for speculative purposes. Derivatives used by ATB include interest rate swaps, call options and interest rate caps.

Interest Rate Risk

Interest rate risk is the risk that net interest income will fluctuate as a result of changes in interest rates. Interest rate risk arises when there is a mismatch or gap between the maturity and re-pricing dates of interest-bearing assets and liabilities. The effect on net interest income resulting from a change in interest rate may be favourable or unfavourable, depending on the size of the gap, direction and duration of the interest rate change.

The primary objective of interest rate risk management is to achieve stable earnings growth through the active management of asset and liability positions.

The asset and liability positions are managed within approved limits specified in ATB's risk management policies. These policies limit the potential negative impact that adverse changes in interest rates can have on current earnings and on the value of ATB's interest sensitive assets and liabilities.

When considering interest rate risk, management reviews among other things current economic forecasts, the expected direction of interest rates, the shape of the yield curve and the interest rate spreads between assets and liabilities. Changes in asset and liability positions, such as altering the mix of maturity and re-pricing dates, are achieved first through specific deposit or loan campaigns and second through the use of derivative products.

The notional amount of outstanding interest rate swaps as at March 31, 2001 increased by $741.3 million over 2000. Note 15 of the Consolidated Financial Statements details the interest rate swaps and options outstanding at the current and prior year-ends.

ATB employs a number of methods to manage and measure inherent rate risk. The primary method used to measure interest rate risk is gap analysis. Gap analysis measures interest rate sensitivity at a point in time. Note 17 of the Consolidated Financial Statements provides detail with respect to ATB's gap position as at March 31, 2001.

Gap analysis is further supplemented with income simulation and duration modeling. ATB's simulation model calculates how an immediate and sustained change in interest rates would affect net interest income in the succeeding 12-month period.

TABLE 19 – INTEREST RATE SENSITIVITY

For the years ended March 31 *($ in thousands)*	2001	2000
Impact on earnings in succeeding year from:		
100 basis point increase in interest rates	$ 7,181	$ 5,898
100 basis point decrease in interest rates	(7,262)	(6,233)
200 basis point increase in interest rates	13,286	11,716
200 basis point decrease in interest rates	(14,538)	(13,136)

Foreign Exchange Risk

Foreign exchange risk is the risk of loss resulting from fluctuations in foreign exchange rates. Foreign exchange risk arises when there is a difference between financial assets and liabilities denominated in foreign currencies. Foreign exchange risk also arises when there is a difference in the maturity of forward purchases and forward sales of a given currency.

ATB's foreign exchange risk is primarily related to assets and liabilities denominated in US dollars. To mitigate this, management monitors on a daily basis the net position of assets and liabilities in US dollars. ATB limits the difference between US dollar assets and liabilities to $1.0 million US. All larger foreign exchange transactions are identified as they arise and are offset as necessary. ATB manages forward foreign exchange risk by fully hedging all forward contracts with offsetting transactions. Note 15 of the Consolidated Financial Statements details the foreign exchange contracts outstanding at the current and prior year-ends.

Liquidity Risk Management

Liquidity risk is the risk of default that could occur if ATB has insufficient funds available to meet its cash requirements as they come due.

The primary objective is to ensure that sufficient liquid funds are available to meet all financial commitments as they fall due, including customer withdrawals and loan advances.

Key principles underlying liquidity risk management include the regular monitoring of liquidity, forecasting future funding requirements and assured access to diversified funding sources that can be used on a regular or contingency basis.

Policies specify the minimum level of liquid assets to be held at all times, consistent with ATB's legislation, as well as the desired level of liquidity that best meets ATB's financial commitments. Short-term liquidity requirements are forecast on the basis of past and projected cash flows. In managing liquidity, management considers both available liquid assets and ATB's ability to raise additional funds to meet liquidity requirements.

ATB's liquidity requirements are less than other comparable financial institutions since ATB does not maintain a portfolio for active trading and has no investment banking or brokerage activities. If a liquidity need were to arise at short notice, ATB has arranged a short-term credit facility with another financial institution and also has access to participate in Receiver General term deposit auctions. Surplus funds are invested in short-term, high quality marketable securities and deposits with banks.

ATB's deposit base is its primary source of funds. Deposits by individuals provide a more stable source of funding over the long term than do deposits by business and government organizations.

ATB's deposits from individuals represent 57.77 percent (2000: 57.00 percent) of total deposits, while deposits by business and government represent 42.23 percent (2000: 43.00 percent). ATB's deposits from business and government include funds raised through the issue of short-term and mid-term notes in the Canadian money market.

The primary measure of liquidity is the ratio of liquid assets (such as cash, securities and ATB's deposits with banks) to total assets.

TABLE 20 – LIQUIDITY

As at March 31 ($ in thousands)	2001	2000	1999
Cash and deposits with banks	**$ 964,056**	$ 646,961	$ 588,796
Securities	**861,193**	630,224	468,479
Total	**$ 1,825,249**	$ 1,277,185	$ 1,057,275
Liquid assets as a percentage of total assets	**15.67%**	12.24%	11.39%

Included in securities is $91.6 million which has been pledged as collateral.

Contrary to earlier projections, ATB's liquidity position continued to steadily improve over 2001. The strong increase in the liquidity ratio at March 31, 2001 is directly attributable to actual deposit growth exceeding loan growth and well exceeding planned deposit growth for the year. The liquid assets as a percentage of total assets ratio at March 31, 2001 (15.67 percent), is well above the regulatory requirement that ATB maintain at least 6.00 percent of its assets in liquid assets.

Operations Risk Management

Operations risk is the risk associated with processes, technology and people. It addresses the risk of loss resulting from such events as system failures, a breakdown in internal controls, human error and criminal activity. Losses such as a loss of reputation or client confidence can be as significant for the organization as a direct financial loss. During a period of significant change, the exposure to operations risk generally increases.

During the last four years, ATB has undergone profound changes including outsourcing non-core activities, improving lending, loan monitoring and collection processes, centralizing branch administration, optimizing branch staffing levels and introducing more of the products and services necessary to be competitive in the marketplace. ATB senior management is committed to actions that would strengthen the existing system of internal control and minimize operational risk to the extent practical.

The four areas of concentration are:

- control management of various suspense accounts;
- operational loss management;
- systems reconciliations; and
- business continuity.

Over the past year, ATB senior management has initiated or completed the following:

- a dedicated and distinct Operational Risk Management area has been established within the Corporate Services and Operations business unit to work with Internal Audit and the Comptroller's staff to identify, quantify and mitigate operational risk within ATB;
- a Controls Project committee, chaired by the Chief Financial Officer was established in June, 2000 to ensure timely improvement of internal control weaknesses on a priority basis;
- significant improvements have been made to strengthen ATB's outsourcing relationship with its cheque processing and information technology service providers. This includes a review by an independent accounting firm of systems controls in place with the outsourced cheque processing firm; and
- a comprehensive review of the issues, procedures and policies contributing to increased sundry losses was undertaken with the assistance of internal and external resources. Recommendations to address shortcomings were reviewed by senior management and approved for adoption and implementation in conjunction with the overall controls initiative.

ATB did not incur any significant losses due to an operational failure in 2001, 2000 or 1999.

Over the next year, ATB will establish a group to concentrate on enterprise wide risk management that will further enhance our ability to manage risks. Enterprise wide risk management will provide a way of addressing all of the categories of risk throughout the various units across the entire organization.

OUTLOOK

Economic Developments

Assisted by buoyant oil and natural gas prices, Alberta's real Gross Domestic Product (GDP) grew by 6.1 percent and nominal GDP grew a staggering 22 percent. Powering the economic engine in 2000 were the vast cash flows to energy companies that were re-invested in new drilling activities and in the oil sands reserves. Total oil and gas wells drilled in 2000 were 61 percent higher than 1999. More than $4 billion was invested in the oil sands production and refining in 2000 primarily in Northeastern Alberta. Alberta's employment continued to expand with the addition of nearly 35,000 new jobs. With a record labour force of over 1.6 million and the highest participation rate in Canada, retail sales registered a gain of 8.8 percent. This growth was aided by in-migration of nearly 22,000 and disposable income growth of over seven percent. The housing market reflected this strength with over 26,000 housing starts in 2000 continuing a trend of over 20,000 starts per year since 1997. Although the grains sector faces continuing challenges from weather conditions and low commodity prices, farm support programs from the Alberta and federal governments have cushioned somewhat the impact of low prices and higher input costs. The livestock sector, particularly hogs, enjoyed a very strong 2000.

Although high oil and natural gas prices were the major economic story in 2000, the continued steady growth in the manufacturing and services sectors augers well for more balanced growth in 2001. Lower personal and corporate taxes and one time infrastructure spending by the Alberta government will add further demand for skilled labour and machinery and equipment. Alberta will continue to face shortages of labour as well as rising labour costs through 2001. In this economic climate, lending and deposit-taking activities will continue to be strong.

Financial Services Sector Developments

After almost five years of public discussion and debate, the Federal Government is expected to pass amendments to the Bank Act and other federal financial institution legislation this summer. While these federal laws do not apply to ATB, these changes will have a major impact on ATB's competitive environment. The major policy changes include the opening up of the payments system to money market mutual funds, life insurers and securities dealers. A new Financial Consumers Agency will be established that will monitor federal institutions' compliance with consumer protection measures, such as tied selling and low cost accounts. Perhaps the most significant change for ATB is not contained in legislation but in a policy statement issued by the Finance Minister on large bank mergers. A process is set out that will require banks to present and defend the business rationale for mergers to the public and parliamentary committees. With this transparent approach to mergers, greater consolidation in Canada's financial sector is more likely. Other changes include greater organizational flexibility for banks through bank holding companies and wider business powers in the e-commerce area.

Provincially, the recommendations of the Alberta Tax Review Committee included the abolition of Alberta's financial institutions capital tax. The Government has accepted this recommendation and the financial institutions capital tax was abolished effective April 1, 2001. This policy change is a response to the Task Force on the Future of Canada's Financial Services Sector's recommendation to reduce or eliminate capital taxes that penalize financial institutions for capital strength. As a result of this change, more lending activity of national institutions will likely take place out of Alberta.

From ATB's vantage point, greater consolidation in the financial services sector offers opportunities as mergers or takeovers encourage customers to look for alternatives. ATB, with its tradition of personalized service and innovative products, continues to position itself as Albertans' first choice for financial services.

Corporate Governance

ATB is a provincial Crown corporation owned by the Province of Alberta and managed by a Board of Directors appointed by the Lieutenant Governor in Council. ATB's operations are conducted in accordance with the Alberta Treasury Branches Act and its supporting Regulations. That Act and Regulations are largely modelled after statutes and regulations of other financial institutions and guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI).

ATB's Regulations

- provide specific guidelines for capital adequacy,
- establish a risk weighting for assets,
- require ATB to adhere to prudent loan and investment standards when making loan and investment decisions and when managing its total loans and investments,
- limit loans to connected persons to 1.00 percent of total assets,
- require ATB to manage its liquidity in a prudent manner including the requirement that ATB maintain at least 6.00 percent of its assets in liquid assets,
- limit ATB's use of derivatives to hedging risk rather than speculating, and
- provide for restrictions on related party transactions.

ATB management formally reports quarterly to the Board of Directors regarding compliance with these regulations.

ATB implemented and established corporate standards and practices consistent with the recommendations of the 1994 Toronto Stock Exchange Corporate Governance Committee's report entitled "Where were the Directors?". While not a public company, the recommendations and guidance provided in the report is both relevant and appropriate for ATB.

Board Independence and Responsibilities

Governance requirements for ATB are set out in the Alberta Treasury Branches Act and Regulations. The Board of Directors has 12 members appointed by the Lieutenant Governor in Council, of which only two are affiliated directors. The Act requires that no more than half of the directors be affiliated. No members of ATB management are directors of ATB. A Code of Conduct and Ethics adopted by the Board governs the conduct of all officers and employees of ATB. The Board also has a corporate governance education program focusing on the roles and responsibilities of all directors.

The Board is responsible for ensuring that ATB has a sound strategic plan, detailed operating plans that support the strategic direction and an effective control environment. At least annually the Board holds a planning session to discuss strategic issues. The planning cycle is completed with management's recommendation of a three-year business plan published annually as required by the Government Accountability Act.

The Board is responsible for approving policies governing the management of business and financial risks associated with ATB's operations, and ensuring effective policies and procedures are in place related to human resources including recruitment, compensation, evaluation, development and continuity. The Board monitors performance against ATB's business plans and budgets on a routine basis.

Procedures are in place to ensure that the Board receives relevant and necessary information to carry out its responsibilities and to provide feedback to management. On a weekly basis, the Board receives relevant materials such as press releases, articles, and analysts' reports on ATB and the financial industry. Directors have input into meeting agendas and receive a comprehensive information package prior to each Board and Committee meeting. Business unit heads are invited to provide further explanation through attendance at Board and Committee meetings as well as other Board sessions.

The Board carries out its responsibilities either directly or indirectly through Committees of the Board. Committee chairs provide a report to the full Board at all Board meetings.

Governance and Conduct Review Committee

The purpose of the Governance and Conduct Review Committee is to:

- monitor and make recommendations to enhance the effectiveness of corporate governance;
- recommend policies and oversee administration relating to conflict of interest for directors and officers; and
- recommend policies respecting the ethical and legal conduct of employees and to monitor resolution of customer complaints related to conduct of employees.

Committee members: Gary Campbell (Chair), Bob Brawn, David Hughes, Ian Macdonald and Ralph Scurfield

Audit Committee

The purpose of the Audit Committee is to:

- review and recommend to the Board the quarterly and annual financial statements; and
- review the financial reporting process, the system of internal control and management of risks, the audit process, and the Corporation's process for monitoring compliance with laws and regulations.

Committee members: Brian Hesje (Chair), Brian McCook, Al O'Brien, Ralph Scurfield and Gail Surkan

Credit Policy and Risk Management Committee

The purpose of the Credit Policy and Risk Management Committee is to:

- review and recommend for approval of the Board, policies with respect to credit and areas of significant business risk integral to ATB's operations; and
- review and monitor the application and effectiveness of the policies.

Committee members: Brian Heidecker (Chair), Bob Brawn, Jack Halpin, David Hughes, Gail Surkan and Ron Triffo

Human Resources Committee

The purpose of the Human Resources Committee is to:

- review significant organizational, compensation and other policies respecting human resources;
- review senior management succession planning, performance and appointments; and
- provide guidance to Management to make recommendations to the Board as appropriate.

Committee members: David Hughes (Chair), Gary Campbell, Brian Heidecker, Ian Macdonald and Brian McCook

Supplementary Information

QUARTERLY HIGHLIGHTS

($ in thousands)	2001 Q4	2001 Q3	2001 Q2	2001 Q1	2000 Q4	2000 Q3	2000 Q2	2000 Q1
STATEMENT OF INCOME								
Net interest income	$ 92,005	$ 92,447	$ 90,302	$ 87,215	$ 81,144	$ 82,574	$ 95,008	$ 73,145
Provision for (recovery of) credit losses	2,732	6,079	6,079	6,079	(43,755)	881	(4,673)	5,726
Other income	23,499	22,171	20,929	22,476	30,463	25,145	20,133	18,819
Non-interest expenses	74,642	67,124	61,833	65,007	68,654	53,443	60,195	57,470
Net income	$ 38,130	$ 41,415	$ 43,319	$ 38,605	$ 86,708	$ 53,395	$ 59,619	$ 28,768
BALANCE SHEET								
Assets								
Cash resources	$ 964,056	$ 826,362	$ 796,354	$ 766,648	$ 646,961	$ 656,041	$ 791,775	$ 831,833
Securities	861,193	792,941	759,539	752,187	630,224	512,280	721,700	634,498
Loans, net of allowance for credit losses								
Residential mortgages	3,977,883	3,935,571	3,862,414	3,743,203	3,651,396	3,588,702	3,502,787	3,396,819
Personal and credit card loans	1,580,379	1,553,068	1,534,947	1,485,456	1,421,731	1,305,577	1,254,299	1,215,750
Business and other loans	3,987,347	4,109,703	3,987,557	3,921,315	3,851,564	3,784,859	3,668,559	3,595,635
Other assets	279,685	246,120	235,521	227,062	230,067	217,163	209,535	194,499
	$ 11,650,543	$ 11,463,765	$ 11,176,332	$ 10,895,871	$ 10,431,943	$ 10,064,622	$ 10,148,655	$ 9,869,034
Liabilities and equity								
Deposits	$ 10,918,863	$ 10,785,561	$ 10,560,079	$ 10,349,845	$ 9,924,626	$ 9,573,539	$ 9,734,693	$ 9,571,222
Other liabilities	273,475	259,982	240,385	214,126	218,445	292,903	273,908	217,377
Cheques and other items in transit, net	6,654	4,801	3,862	3,213	8,715	4,731	–	–
Subordinated debentures	17,444	17,444	17,444	17,444	7,519	7,519	7,519	7,519
Equity	434,107	395,977	354,562	311,243	272,638	185,930	132,535	72,916
	$ 11,650,543	$ 11,463,765	$ 11,176,332	$ 10,895,871	$ 10,431,943	$ 10,064,622	$ 10,148,655	$ 9,869,034

CONSOLIDATED BALANCE SHEET

As at March 31 *($ in thousands)*	2001	2000	1999	1998	1997
ASSETS					
Cash resources					
Cash and non-interest bearing deposits with banks	**$ 146,550**	$ 89,829	$ 88,138	$ 45,991	$ 48,110
Interest bearing deposits with banks	**817,506**	557,132	500,658	550,525	481,043
Cheques and other items in transit, net	**–**	–	6,296	–	–
	964,056	646,961	595,092	596,516	529,153
Securities					
Issued or guaranteed by Canada	**106,756**	106,853	48,212	82,085	85,782
Other securities	**754,437**	523,371	420,267	529,317	381,380
	861,193	630,224	468,479	611,402	467,162
Loans, net of allowance for credit losses					
Residential mortgage	**3,977,883**	3,651,396	3,296,655	2,846,053	2,645,887
Personal and credit card	**1,580,379**	1,421,731	1,172,177	1,123,388	1,047,040
Business and other	**4,110,996**	3,963,203	3,708,103	3,631,685	3,653,508
General allowance for credit losses	**(123,649)**	(111,639)	(140,160)	(140,702)	(46,068)
	9,545,609	8,924,691	8,036,775	7,460,424	7,300,367
Other					
Capital assets	**74,183**	63,616	54,171	50,843	58,538
Other assets	**205,502**	166,451	127,182	98,385	111,620
	279,685	230,067	181,353	149,228	170,158
	$ 11,650,543	$ 10,431,943	$ 9,281,699	$ 8,817,570	$ 8,466,840
LIABILITIES AND EQUITY					
Deposits					
Payable on demand	**$ 1,875,454**	$ 1,656,730	$ 1,568,233	$ 1,555,967	$ 1,391,466
Payable after notice	**1,437,830**	1,353,069	1,381,550	1,485,565	1,491,608
Payable on a fixed date	**7,605,579**	6,914,827	6,072,527	5,684,533	5,525,119
	10,918,863	9,924,626	9,022,310	8,726,065	8,408,193
Other liabilities					
Other liabilities	**273,475**	218,445	215,241	140,764	195,491
Cheques and other items in transit, net	**6,654**	8,715	-	17,285	15,134
	280,129	227,160	215,241	158,049	210,625
Subordinated debentures	**17,444**	7,519	–	–	–
Equity (deficit)	**434,107**	272,638	44,148	(66,544)	(151,978)
	$ 11,650,543	$ 10,431,943	$ 9,281,699	$ 8,817,570	$ 8,466,840

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31 *($ in thousands)*	2001	2000	1999	1998	1997
Interest income					
Loans	**$ 726,242**	$ 644,255	$ 567,513	$ 506,762	$ 558,965
Securities	**43,355**	28,085	31,375	19,206	16,261
Deposits with banks	**40,229**	31,401	31,696	19,828	17,735
	809,826	703,741	630,584	545,796	592,961
Interest expense					
Deposits	**446,959**	371,561	343,652	294,643	352,983
Subordinated debentures	**898**	309	–	–	–
	447,857	371,870	343,652	294,643	352,983
Net interest income	**361,969**	331,871	286,932	251,153	239,978
Provision for (recovery of) credit losses	**20,969**	(41,821)	3,787	(4,173)	198,343
Net interest income after provision for (recovery of) credit losses	**341,000**	373,692	283,145	255,326	41,635
Other income					
Service charges	**44,352**	41,720	38,627	34,108	32,597
Credit fees	**17,115**	17,508	16,200	14,515	16,762
Commission and other	**11,937**	24,491	8,386	6,644	6,827
Card fees	**10,182**	7,182	5,980	5,522	4,935
Foreign exchange	**5,489**	3,659	4,927	4,657	4,949
	89,075	94,560	74,120	65,446	66,070
Net interest and other income	**430,075**	468,252	357,265	320,772	107,705
Non-interest expenses					
Salaries and employee benefits	**134,856**	111,676	119,950	120,345	111,758
Premises and equipment, including amortization	**42,314**	38,676	40,757	47,595	47,574
Communications and electronic processing	**49,695**	51,157	44,947	32,021	26,403
Restructuring costs	**–**	–	5,003	9,531	22,175
Other	**41,741**	38,253	35,916	25,846	24,125
	268,606	239,762	246,573	235,338	232,035
Net income (loss)	**$ 161,469**	$ 228,490	$ 110,692	$ 85,434	$ (124,330)

CONSOLIDATED STATEMENT OF EQUITY

For the year ended March 31 *($ in thousands)*	2001	2000	1999	1998	1997
Equity (deficit) at beginning of year	**$ 272,638**	$ 44,148	$ (66,544)	$ (151,978)	$ (27,648)
Net income (loss)	**161,469**	228,490	110,692	85,434	(124,330)
Equity (deficit) at end of year	**$ 434,107**	$ 272,638	$ 44,148	$ (66,544)	$ (151,978)

Consolidated Financial Statements

The Responsibility for Financial Reporting

The consolidated financial statements of Alberta Treasury Branches (ATB) and all other information contained in the annual report, including management's discussion and analysis of ATB's results were prepared and presented by ATB management, which is responsible for their accuracy, objectivity and completeness. This responsibility includes presenting the statements in accordance with Canadian generally accepted accounting principles. The preparation of the statements necessarily involves the use of estimates and approximations which are made using careful judgement.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and to ensure ATB's assets are safeguarded and liabilities are recognized. Internal controls are reviewed and evaluated by the Vice-President, Internal Audit of ATB.

The Board of Directors has the ultimate responsibility for these consolidated financial statements. The Board oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of directors who are not officers or employees of ATB. The Committee reviews the consolidated financial statements and recommends them to the Board for approval.

To carry out its duties, the Audit Committee reviews the quarterly and annual consolidated financial statements, as well as issues related to them. The Audit Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems. The Audit Committee's review of financial reports includes an assessment of key management estimates and judgements material to the financial results. ATB's Vice-President of Internal Audit and the Auditor General of Alberta have full and unrestricted access to the Audit Committee to discuss their audit findings as to the integrity of ATB's financial reporting and adequacy of internal controls.

The Auditor General of Alberta has examined these consolidated financial statements and his report follows.

Ron P. Triffo
Chairman of the Board

Paul G. Haggis
President & Chief Executive Officer

Craig W. Warnock
Chief Financial Officer

Edmonton, Alberta
May 11, 2001

Auditor's Report

AUDITOR GENERAL *Alberta*

To the Minister of Finance

I have audited the consolidated balance sheet of Alberta Treasury Branches as at March 31, 2001 and the consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of Alberta Treasury Branches' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Alberta Treasury Branches as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta
May 11, 2001

Consolidated Balance Sheet

As at March 31 ($ in thousands)	2001	2000	1999
ASSETS			
CASH RESOURCES *(Note 2)*			
Cash and non-interest bearing deposits with banks	**$ 146,550**	$ 89,829	$ 88,138
Interest bearing deposits with banks	**817,506**	557,132	500,658
Cheques and other items in transit, net	**–**	–	6,296
	964,056	646,961	595,092
SECURITIES *(Note 3)*	**861,193**	630,224	468,479
LOANS, NET OF ALLOWANCE FOR CREDIT LOSSES *(Notes 4 and 5)*			
Residential mortgage	**3,977,883**	3,651,396	3,296,655
Personal	**1,429,627**	1,326,961	1,132,262
Credit card	**150,752**	94,770	39,915
Business and other	**4,110,996**	3,963,203	3,708,103
General allowance for credit losses	**(123,649)**	(111,639)	(140,160)
	9,545,609	8,924,691	8,036,775
OTHER			
Capital assets *(Note 6)*	**74,183**	63,616	54,171
Other assets *(Notes 7, 11 and 15)*	**205,502**	166,451	127,182
	279,685	230,067	181,353
	$11,650,543	$ 10,431,943	$ 9,281,699
LIABILITIES AND EQUITY			
DEPOSITS *(Note 8)*			
Personal	**$ 6,307,770**	$ 5,657,036	$ 5,226,318
Business and other	**4,611,093**	4,267,590	3,795,992
	10,918,863	9,924,626	9,022,310
OTHER			
Other liabilities *(Notes 5, 9 and 11)*	**273,475**	218,445	215,241
Cheques and other items in transit, net *(Note 2)*	**6,654**	8,715	–
	280,129	227,160	215,241
SUBORDINATED DEBENTURES *(Note 10)*	**17,444**	7,519	–
EQUITY	**434,107**	272,638	44,148
Commitments and contingent liabilities *(Notes 5, 14 and 20)*			
	$11,650,543	$ 10,431,943	$ 9,281,699

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Income

For the year ended March 31 ($ in thousands)	2001	2000	1999
INTEREST INCOME			
Loans	$ 726,242	$ 644,255	$ 567,513
Securities	43,355	28,085	31,375
Deposits with banks	40,229	31,401	31,696
	809,826	703,741	630,584
INTEREST EXPENSE			
Deposits	446,959	371,561	343,652
Subordinated debentures	898	309	–
	447,857	371,870	343,652
NET INTEREST INCOME	361,969	331,871	286,932
Provision for (recovery of) credit losses *(Note 5)*	20,969	(41,821)	3,787
NET INTEREST INCOME AFTER PROVISION FOR (RECOVERY OF) CREDIT LOSSES	341,000	373,692	283,145
OTHER INCOME			
Service charges	44,352	41,720	38,627
Credit fees	17,115	17,508	16,200
Commission and other	11,937	24,491	8,386
Card fees	10,182	7,182	5,980
Foreign exchange	5,489	3,659	4,927
	89,075	94,560	74,120
NET INTEREST AND OTHER INCOME	430,075	468,252	357,265
NON-INTEREST EXPENSES			
Salaries and employee benefits *(Notes 11 and 12)*	134,856	111,676	119,950
Premises and equipment, including amortization	42,314	38,676	40,757
Communications and electronic processing	49,695	51,157	44,947
Restructuring costs	–	–	5,003
Other	41,741	38,253	35,916
	268,606	239,762	246,573
NET INCOME	$ 161,469	$ 228,490	$ 110,692

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31 ($ in thousands)	2001	2000	1999
Equity (deficit) at beginning of year	**$ 272,638**	$ 44,148	$ (66,544)
Net income	**161,469**	228,490	110,692
EQUITY AT END OF YEAR	**$ 434,107**	$ 272,638	$ 44,148

Consolidated Statement of Cash Flows

For the year ended March 31 ($ in thousands)	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 161,469**	$ 228,490	$ 110,692
Adjustments to determine net cash flows:			
Provision for (recovery of) credit losses	**20,969**	(41,821)	3,787
Amortization	**16,379**	14,041	11,674
Net changes in accrued interest receivable and payable	**14,233**	(3,255)	7,225
Other items, net	**1,251**	(32,279)	(7,161)
	214,301	165,176	126,217
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in deposits	**993,929**	902,370	296,229
Issue of subordinated debentures *(Note 10)*	**9,925**	7,519	–
	1,003,854	909,889	296,229
CASH FLOWS FROM INVESTING ACTIVITIES			
Net change in interest bearing deposit balances with banks	**(259,995)**	(56,496)	49,842
Purchase of investment securities	**(6,762,829)**	(5,100,139)	(4,540,665)
Maturity of investment securities	**6,531,860**	4,938,394	4,683,588
Net change in loans	**(642,042)**	(846,106)	(535,102)
Net purchases of capital assets	**(26,946)**	(23,486)	(15,002)
	(1,159,952)	(1,087,833)	(357,339)
Effect of exchange rate changes on cash and cash equivalents	**579**	(552)	621
Net change in cash and cash equivalents	**58,782**	(13,320)	65,728
Cash and cash equivalents at beginning of year	**81,114**	94,434	28,706
Cash and cash equivalents at end of year	**$ 139,896**	$ 81,114	$ 94,434
Represented by:			
Cash and non-interest bearing deposits with banks	**$ 146,550**	$ 89,829	$ 88,138
Cheques and other items in transit, net	**(6,654)**	(8,715)	6,296
	$ 139,896	$ 81,114	$ 94,434
Supplementary cash flow information:			
Amount of interest paid during the year	**$ 401,759**	$ 359,661	$ 321,172

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2001 ($ in thousands)

Alberta Treasury Branches (ATB) is an Agent of the Crown in right of Alberta and operates under the authority of the Alberta Treasury Branches Act, Statutes of Alberta, 1997, chapter A-37.9, proclaimed in force October 8, 1997. Under that Act, ATB was established as a provincial Crown corporation governed by a Board of Directors appointed by the Lieutenant Governor in Council. ATB's primary business is providing financial services within Alberta.

1. Significant accounting policies

The Consolidated Financial Statements are prepared by management in accordance with Canadian generally accepted accounting principles. Comparative amounts have been reclassified where necessary to conform with the current year's presentation. The significant accounting policies followed in the preparation of these Consolidated Financial Statements are summarized below:

(a) Basis of consolidation

The Consolidated Financial Statements include the assets, liabilities and results of operations, after the elimination of intercompany transactions and balances of ATB and its wholly owned subsidiary, ATB Investment Services Inc.

(b) Translation of foreign currencies

Assets and liabilities arising from foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The income and expenses related to these transactions are translated using the average exchange rate for the year. Realized and unrealized gains and losses arising from these translations are included in other income in the Consolidated Statement of Income.

(c) Use of estimates

In preparing the Consolidated Financial Statements, management must make estimates and assumptions concerning values of certain assets and liabilities, net income and related disclosures reported in these Consolidated Financial Statements. Actual results could differ from these estimates.

(d) Specific accounting policies

Other significant accounting policies are disclosed in the following notes with the related financial disclosure.

2. Cash resources

Cash resources consist of cash, operating and investment deposits with banks and items in transit. Interest bearing deposits with banks are recorded at cost. Interest income on interest bearing deposits is recorded on an accrual basis. Cheques and other items in transit represent the net position of uncleared settlements with other financial institutions and are recorded at cost.

If the total amount of uncleared settlements due to other financial institutions exceeds the total amount of uncleared settlements owed to ATB, the net amount is reported under other liabilities in the Consolidated Balance Sheet.

3. SECURITIES

Securities are reported at cost or amortized cost, adjusted to recognize other than temporary losses in the underlying value. All securities held are investment account securities purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive. Gains and losses on disposal of securities are included in income in the year of disposal. The cost or amortized cost of securities approximates the market value of securities.

All securities held mature within one year and the balances are as follows:

	2001	2000	1999
Issued or guaranteed by Canada	**$ 106,756**	$ 106,853	$ 48,212
Other securities	**754,437**	523,371	420,267
	$ 861,193	$ 630,224	$ 468,479

Securities pledged at March 31, 2001 totalled $91,600 (2000: $61,600; 1999: $56,200) (Note 14 (d)).

4. LOANS

Loans are stated net of any unearned interest and an allowance for credit losses. Interest income is recorded on an accrual basis, except for impaired loans. Accrued interest is included in other assets in the Consolidated Balance Sheet.

(a) Loan fees

Loan and commitment fees are recognized as other income over the term of the loan or over the commitment period, as appropriate.

(b) Impaired loans

Loans, except for credit cards, are classified as impaired when:

- there is no longer reasonable assurance as to the timely collection of the full amount of principal or interest, or
- principal or interest payments are 90 days past due.

Consumer credit card loans are classified as impaired and written off when principal or interest payments become 180 days past due. Business and agricultural credit card loans that become 90 days past due are removed from the credit card portfolio and transferred into the applicable impaired loan category.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated realizable amount. Interest income on the loan ceases to be accrued. No portion of cash received on an impaired loan is recorded as interest income until such time as any prior write-offs or specific allowances have been reversed.

Impaired loans are returned to performing status when there is reasonable assurance of the timely collection of all principal and interest, all arrears have been collected, and allowances for loan losses have been reversed.

Loans consist of the following:

			2001	2000	1999
	Recorded investment	Allowance	Net carrying value	Net carrying value	Net carrying value
Residential mortgage	$ 3,980,759	$ 2,876	$ 3,977,883	$ 3,651,396	$ 3,296,655
Personal	1,432,658	3,031	1,429,627	1,326,961	1,132,262
Credit card	150,752	–	150,752	94,770	39,915
Agricultural	1,192,808	3,777	1,189,031	1,108,080	1,063,399
Independent business, commercial and other loans	2,957,221	35,256	2,921,965	2,855,123	2,644,704
	9,714,198	44,940	9,669,258	9,036,330	8,176,935
General allowance	–	123,649	(123,649)	(111,639)	(140,160)
	$ 9,714,198	$ 168,589	$ 9,545,609	$ 8,924,691	$ 8,036,775

Impaired loans (included in the preceding schedule):

			2001	2000	1999
	Recorded investment	Allowance	Net carrying value	Net carrying value	Net carrying value
Residential mortgage	$ 23,887	$ 2,876	$ 21,011	$ 11,348	$ 12,278
Personal	7,907	3,031	4,876	3,794	2,966
Agricultural	21,228	3,777	17,451	37,733	33,708
Independent business, commercial and other loans	59,496	35,256	24,240	17,191	66,127
	112,518	44,940	67,578	70,066	115,079
General allowance	–	123,649	(123,649)	(111,639)	(140,160)
	$ 112,518	$ 168,589	$ (56,071)	$ (41,573)	$ (25,081)

The total recorded investment at March 31, 2001 in assets acquired in satisfaction of problem loans was $269, with an allowance for losses of $98 and a net carrying value of $171 (2000: $130; 1999: $2,764). These amounts are included in the preceding schedules.

5. Allowance for Credit Losses

The allowance for credit losses is maintained at a level considered adequate to absorb credit-related losses for all on- and off-balance sheet items. Off-balance sheet items include loan guarantees, letters of credit, and derivative financial instruments.

The allowance for credit losses is deducted from the related asset category, except any amounts provided to cover potential losses from off-balance sheet items, which are included in other liabilities.

In establishing the net carrying value of the impaired loan portfolio, allowance has been made for potential legal actions by various borrowers. Management is of the view that it has strong defences and will vigorously defend such actions. However, a previously established allowance will not be reversed until the outcome of such potential actions becomes clearer. Management is unable to estimate the amount of any such contingent gain.

(a) Specific allowance

The specific allowance on non-consumer impaired loans is established on a loan-by-loan basis to reduce the carrying value of the impaired loans to the amount expected to be recovered. One of the following methods is used to determine the net realizable values:

- the discounted value of estimated future cash flows,
- the fair value of any underlying security discounted to the amount recoverable in the event of realization, or
- the observable market value for the loan.

The specific allowance on consumer loans is calculated using a formula based on recent loss experience.

Any change in the amount expected to be recovered on an impaired loan is charged or credited to the provision for credit losses.

(b) General allowance

This allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined using a statistical estimate of probable losses inherent in the portfolio based on historical and expected loss experience, loan portfolio composition, and other relevant indicators. It is also based on management's judgement concerning the strength of the economy.

Changes in the allowance for credit losses are as follows:

	Specific			General			Total		
	2001	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Balance at beginning of year	**$ 100,894**	$ 109,429	$ 101,843	**$ 111,639**	$ 140,160	$ 140,702	**$ 212,533**	$ 249,589	$ 242,545
Write-offs	**(27,553)**	(19,645)	(22,100)	**–**	–	–	**(27,553)**	(19,645)	(22,100)
Recoveries	**10,940**	24,410	25,357	**–**	–	–	**10,940**	24,410	25,357
Provision for (recovery of) credit losses charged to the Consolidated Statements of Income	**8,959**	(13,300)	4,329	**12,010**	(28,521)	(542)	**20,969**	(41,821)	3,787
Balance at end of year	**$ 93,240**	$ 100,894	$ 109,429	**$ 123,649**	$ 111,639	$ 140,160	**$ 216,889**	$ 212,533	$ 249,589

The specific allowance as at March 31, 2001 of $93,240 (2000: $100,894; 1999: $109,429) represents an allowance for loan losses of $44,940 (2000: $52,594; 1999: $64,429) (Note 4) and an allowance for off-balance sheet items of $48,300 (2000: $48,300; 1999: $45,000) (Note 9).

6. Capital Assets

Land is recorded at cost. Buildings, equipment, software and leasehold improvements are reported at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the related assets.

The maximum life limits for the various classes are as follows:

Buildings	to 20 years
Equipment and software	to 10 years
Leasehold improvements	to 10 years

Gains and losses on the disposal of capital assets are recorded in the Consolidated Statement of Income in the year of disposal. Losses due to write-downs of the net carrying value of capital assets are recorded in the Consolidated Statement of Income in the year the capital asset is impaired.

As at March 31, 2001, the balances are as follows:

			2001	2000	1999
	Cost	Accumulated amortization	Net carrying value	Net carrying value	Net carrying value
Land	$ 7,186	$ –	$ 7,186	$ 7,189	$ 7,338
Buildings	61,252	46,133	15,119	17,782	19,312
Equipment and software	93,451	65,373	28,078	19,963	16,651
Leasehold improvements	49,828	26,028	23,800	18,682	10,870
	$ 211,717	$ 137,534	$ 74,183	$ 63,616	$ 54,171

7. Other Assets

	2001	2000	1999
Accrued interest receivable	$ 154,013	$ 122,148	$ 106,684
Other items, including accounts receivable, accrued pension benefit asset and prepaid items	51,489	44,303	20,498
	$ 205,502	$ 166,451	$ 127,182

8. Deposits

Repayment of all deposits, including accrued interest, is guaranteed by the Crown in right of Alberta. A deposit guarantee fee is assessed by the Crown. For the year ended March 31, 2001, the fee was $12,739 (2000: $9,925; 1999: $7,519).

Deposits are summarized as follows:

				2001	2000	1999
	Payable on demand	Payable after notice	Payable on a fixed date	Total	Total	Total
Personal	$ 612,173	$ 1,128,767	$ 4,566,830	$ 6,307,770	$ 5,657,036	$ 5,226,318
Business and other	1,263,281	309,063	3,038,749	4,611,093	4,267,590	3,795,992
	$ 1,875,454	$ 1,437,830	$ 7,605,579	$ 10,918,863	$ 9,924,626	$ 9,022,310

Total deposits include $96,574 (2000: $101,220; 1999: $104,515) denominated in US funds.

As at March 31, 2001, deposits by the Province of Alberta total $33,307 (2000: $46,468;1999: $86,799) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of $32,165 (2000: $45,439;1999: $86,220).

9. Other Liabilities

	2001	2000	1999
Accrued interest payable	$ 148,453	$ 102,355	$ 90,146
Allowance for credit losses on off-balance sheet items	48,300	48,300	45,000
Other items, including accounts payable, deposit guarantee fee payable, accrued pension benefit liability and other accrued liabilities	76,722	67,790	80,095
	$ 273,475	$ 218,445	$ 215,241

10. Subordinated Debentures

Subordinated debentures are unsecured and subordinated to deposits and other liabilities. The following debentures were privately placed with the Crown in right of Alberta and represent ATB's obligation for the cost of the deposit guarantee. These debentures are non-convertible, non-redeemable, non-transferrable, and bear a fixed interest rate payable semi-annually.

Maturity Date	Interest Rate	2001	2000	1999
June 30, 2004	5.475%	$ 7,519	$ 7,519	$ –
June 30, 2005	6.540%	9,925	–	–
		$ 17,444	$ 7,519	$ –

11. Employee Future Benefits

ATB participates with other Alberta public sector employers in the Public Service Pension Plan (PSPP). The PSPP is a defined benefit pension plan which provides pension benefits for ATB's non-management employees based on years of service and earnings. ATB accounts for the cost of its participation in PSPP on a defined contribution basis. Expenses related to this plan were $2,492 (2000: $2,391) and are recorded in salaries and employee benefits.

For its management employees, ATB provides a registered pension plan with defined benefit and defined contribution provisions and a defined benefit supplemental plan. Assets are set aside to satisfy the pension obligation of the registered plan. ATB has the ultimate responsibility for ensuring that the liabilities of the registered plan are adequately funded over time. The supplemental plan is not pre-funded and benefits are paid from ATB's assets as they become due.

The cost of the defined contribution provisions of the registered plan is recorded based on the contributions from ATB in the current year, and is included in the Consolidated Statement of Income under salaries and employee benefits. In the year ended March 31, 2001 the expense was $2,479 (2000: $2,349).

The pension expense for the defined benefit provisions of the registered plan and for the supplemental plan is actuarially determined by the projected pension benefits, offset by the assumed investment return on the plan assets, using management's best estimate and

actuarial assumptions outlined in the following table. It is recorded in the Consolidated Statement of Income as a component of salaries and employee benefits. The difference between the pension expense and the actual cash contributions to the plan is recorded in the Consolidated Balance Sheet as part of other assets or other liabilities, as appropriate.

MANAGEMENT EMPLOYEES DEFINED BENEFIT PENSION PLANS:

	Registered plan		Supplemental plan	
	2001	2000	2001	2000
CHANGE IN FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 54,448	$ 43,544	$ –	$ –
Contributions from ATB	–	2,578	–	–
Contributions from employees	977	1,018	–	–
Actual return on plan assets	3,988	7,849	–	–
Benefits paid	(399)	(541)	–	–
Transfers to other plans	(698)	–	–	–
Fair value of plan assets at end of year	$ 58,316	$ 54,448	$ –	$ –
CHANGE IN PROJECTED BENEFIT OBLIGATION				
Projected benefit obligation at beginning of year	$ 43,469	$ 39,307	$ 301	$ –
Actuarial loss	8,348	–	114	–
Current service cost	2,483	2,138	429	291
Interest cost	3,640	2,565	59	10
Benefits paid	(399)	(541)	–	–
Projected benefit obligation at end of year	$ 57,541	$ 43,469	$ 903	$ 301
FUNDED STATUS				
Plan surplus (deficit)	$ 775	$ 10,979	$ (903)	$ (301)
Unamortized initial transition (asset)	(3,389)	(3,813)	–	–
Unamortized actuarial net loss (gain)	5,591	(5,688)	114	–
Accrued benefit asset (liability)	$ 2,977	$ 1,478	$ (789)	$ (301)
NET PENSION BENEFIT EXPENSE				
Service cost, net of expected employee contributions	$ 1,425	$ 1,139	$ 429	$ 291
Interest cost	3,640	2,565	59	10
Expected return on plan assets	(4,609)	(3,711)	–	–
Amortization of initial transition asset	(424)	(424)	–	–
Net pension benefit expense	$ 32	$ (431)	$ 488	$ 301
ACTUARIAL ASSUMPTIONS USED IN ACTUARIAL VALUATIONS				
Discount rate	7.00%	6.50%	7.00%	6.50%
Return on plan assets	9.00%	8.50%	–	–
Rate of inflation	2.50%	1.50%	2.50%	1.50%
Rate of increase in future compensation	4.00%	2.50%	4.75%	3.50%

Actuarial valuations were performed by an independent actuary as at April 1, 2000 based on the market related discount rate, and were extrapolated to March 31, 2001.

12. Disclosure of Salaries and Benefits

ATB is an Agent of the Crown in right of Alberta, and as such, is required to disclose the following information as per the Salary and Benefits Disclosure Directive made by the Treasury Board, pursuant to sections 5, 6 and 7 of the Financial Administration Act. This directive applies to all departments, regulated funds, provincial agencies and Crown-controlled organizations. The amounts disclosed are the amounts earned in the year. The 2000 comparative numbers have been restated to reflect retroactive adjustments in pension plan contributions.

						2001	2000
	Base salary	Variable pay *3	Deferred variable pay *4	Total salary	Benefits and allowances	Total	Total
Chairman of Board	$ 45	$ –	$ –	$ 45	$ –	$ 45	$ 47
Board Members (11) *1	300	–	–	300	–	300	318
President and Chief Executive Officer	284	207	–	491	32	523	527
Executive Vice-President Branch Sales & Services	176	61	61	298	69	367	272
Executive Vice-President Marketing & Product Development	161	57	57	275	56	331	237
Senior Vice-President Credit	150	51	51	252	58	310	247
Senior Vice-President Electronic & Centralized Services	160	56	56	272	56	328	238
Chief Financial Officer	144	51	51	246	55	301	223
Vice-President Human Resources *2	120	42	42	204	45	249	–

*1 – *During the current year, the number of board members was reduced from 15 to 11.*

*2 – *Incumbent on leave during 2000 reporting year.*

*3 – *Variable pay is determined based on goal attainment in the fiscal year and paid in June 2001.*

*4 – *Deferred variable pay was introduced for the year ended March 31, 2001 and is also reported as earned in the year. Payment is deferred for up to 2.5 years and is dependent upon the employee's continued employment with ATB. The actual amount the employee will receive will appreciate or depreciate from the amount shown based on specified methodology to reflect ATB's actual financial performance in the next two fiscal years.*

Total salary includes all earned regular base pay, variable pay, bonuses, deferred variable pay, lump sum payments, retainers, fees, retroactive pay adjustments and any other direct cash remuneration. Accumulated vacation was paid out to the Chief Financial Officer (2001: $3; 2000: $7). This amount is included in the salary figure.

Benefits and allowances consist of the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, and employer's statutory contributions. The benefits and allowances figure also includes the cost of additional benefits such as perquisite allowances.

An automobile was provided for the President and Chief Executive Officer; no amount is included in the benefits and allowances figure.

13. Related Party Transactions

In the ordinary course of business, ATB provides normal banking services to various Province of Alberta departments and agencies on terms similar to those offered to non-related parties (Note 8).

On June 30, 2000 a subordinated debenture issue was privately placed with the Crown in right of Alberta (Note 10).

ATB provides banking services to its directors, officers, and employees at various terms and rates. As at March 31, 2001, the total outstanding balances of loans and residential mortgages to these parties were $164,534 (2000: $164,245; 1999: $143,148).

14. Commitments and Contingent Liabilities

(a) Credit instruments

In the normal course of business, ATB enters into various commitments to provide customers with sources of credit. These include credit commitments, letters of credit, letters of guarantee and loan guarantees.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the customer is unable to meet its financial or performance contractual obligations. In the event of a call on such commitments, ATB has recourse against the customers. Documentary and commercial letters of credit require ATB to honour drafts presented by third parties upon completion of specific activities. Guarantees include a loan guarantee relating to West Edmonton Mall as further disclosed in Note 20.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down, and credit facilities available on a revolving basis.

These credit arrangements are subject to ATB's normal credit standards, and collateral may be obtained where appropriate. The contract amounts represent the maximum credit risk exposure to ATB should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements. Contractual amounts as at March 31 were:

	2001	2000	1999
Guarantees	$ 410,579	$ 413,977	$ 414,372
Letters of credit	4,904	2,801	9,974
Commitments to extend credit	2,098,536	1,765,137	1,511,451
	$ 2,514,019	$ 2,181,915	$ 1,935,797

(b) Lease commitments

ATB has obligations under long-term non-cancellable operating leases for buildings and equipment. The future minimum lease payments for each of the next five years and thereafter are:

2002	$ 17,586
2003	15,712
2004	14,175
2005	13,363
2006	12,394
2007 and thereafter	47,179
	$ 120,409

(c) Litigation

Various actions and legal proceedings arising from the normal course of business including the counterclaims described in Note 20 are pending against ATB. Management does not consider the aggregate liability, if any, of these actions and proceedings to be material.

(d) Pledged assets

In the ordinary course of business, ATB pledges securities to the Bank of Canada in order to participate in clearing and payment systems and to have access to its facilities. Amounts pledged at March 31 are provided in Note 3.

15. Derivative financial instruments

ATB enters into derivative transactions in order to manage the risks associated with its interest rate exposure and other market risks. Derivative products used by ATB include interest rate swaps, interest rate caps, foreign exchange forward contracts and index-linked call options.

The interest rate swaps are used to manage exposures to fluctuations in interest rates in ATB's overall portfolio. The index-linked call options and interest rate caps are used to manage exposures to fluctuations in the underlying indices and interest rates arising from specific financial instruments. ATB only enters into derivative instruments for its own account and does not act as an intermediary in this market, except for the foreign exchange forward contracts, which ATB provides to its customers for the purposes of meeting their day to day business needs.

Income and expense associated with derivative financial instruments is accounted for on an accrual basis and recognized over the life of the contract as an adjustment to net interest income. Realized gains and losses from the settlement or early termination of derivative financial instruments are amortized over the remaining original life of the contract. Accrued income and expense and deferred gains and losses are recorded in other assets or other liabilities, as appropriate.

The total amount of deferred expense at March 31, 2001 was $30,650 (2000: $18,577; 1999: $9,943) and is recorded in other assets in the Consolidated Balance Sheet.

The derivative financial instruments are not recorded in the Consolidated Balance Sheet. Notional principal amounts, upon which payments are based, are not indicative of the credit risk associated with derivative financial instruments.

The notional amounts of derivative contracts are summarized as follows:

			2001	2000	1999
	Term to maturity				
	Within 1 year	1 to 5 years	Total	Total	Total
INTEREST RATE CONTRACTS					
Interest rate swaps	$ 1,075,000	$ 480,000	$ 1,555,000	$ 813,750	$ 575,000
Interest rate caps	–	35,000	35,000	125,000	125,000
	1,075,000	515,000	1,590,000	938,750	700,000
INDEX-LINKED CONTRACTS	69,350	261,300	330,650	273,300	227,820
FOREIGN EXCHANGE					
FORWARD CONTRACTS	5,141	–	5,141	8,151	5,033
	$ 1,149,491	$ 776,300	$ 1,925,791	$ 1,220,201	$ 932,853

The current replacement cost and fair value of derivative contracts are summarized as follows:

			Current replacement cost	
2001	Notional amount	Net fair value	Favourable position	Unfavourable position
INTEREST RATE CONTRACTS				
Interest rate swaps	$ 1,555,000	$ 2,823	$ 6,652	$ 3,829
Interest rate caps	35,000	122	122	–
INDEX-LINKED CONTRACTS	330,650	46,995	46,995	–
FOREIGN EXCHANGE FORWARD CONTRACTS	5,141	2	134	132
TOTAL	$ 1,925,791	$ 49,942	$ 53,903	$ 3,961
2000 Total	$ 1,220,201	$ 75,071	$ 76,175	$ 1,104
1999 Total	$ 932,853	$ 12,326	$ 15,187	$ 2,861

Fair values are determined using pricing models which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Fair values have been segregated between those contracts which are in a favourable position (positive fair value) and those contracts which are in an unfavourable position (negative fair value).

Current credit exposure is limited to the amount of loss that ATB would suffer if every counterparty to which ATB was exposed were to default at once, which is represented by the current replacement cost of all outstanding contracts in a favourable position. ATB attempts to limit its credit exposure by dealing with counterparties believed to be credit worthy.

16. Estimated Fair Value of Balance Sheet Financial Instruments

The amounts are designed to approximate the fair values of ATB's financial instruments using the valuation methods and assumptions described below. Since many of ATB's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of most of ATB's financial instruments is not adjusted to reflect changes in interest rates, as it is ATB's intention to hold the instruments to maturity.

The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as capital assets or intangible assets.

Estimated fair values of balance sheet financial instruments are summarized as follows:

	2001			2000			1999		
	Carrying value	**Fair value**	**Fair value over carrying value**	Carrying value	Fair value	Fair value over (under) carrying value	Carrying value	Fair value	Fair value over carrying value
Assets									
Cash resources	**$ 964,056**	**$ 964,056**	**$ –**	$ 646,961	$ 646,961	$ –	$ 595,092	$ 595,092	$ –
Securities	**861,193**	**861,193**	**–**	630,224	630,224	–	468,479	468,479	–
Loans	**9,545,609**	**9,720,444**	**174,835**	8,924,691	8,810,784	(113,907)	8,036,775	8,143,502	106,727
Other assets	**279,685**	**279,685**	**–**	166,451	166,451	–	127,182	127,182	–
Liabilities									
Deposits	**$ 10,918,863**	**$ 11,066,983**	**$ 148,120**	$ 9,924,626	$9,953,354	$ 28,728	$ 9,022,310	$9,101,963	$ 79,653
Other	**297,573**	**297,573**	**–**	234,679	234,679	–	215,241	215,241	–

Fair values are determined as follows:

SHORT-TERM FINANCIAL INSTRUMENTS

For items which are short-term in nature, the estimated fair value is equal to carrying value. These include cash resources, securities, other assets and other liabilities.

FLOATING RATE FINANCIAL INSTRUMENTS

For floating rate financial instruments, fair value is equal to carrying value as the interest rates automatically reprice to market.

FIXED RATE FINANCIAL INSTRUMENTS

For fixed rate loans, fair value is determined by discounting the expected future cash flows at market rates.

For fixed rate deposits, fair value is determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms.

17. INTEREST RATE RISK

Interest rate risk is the risk that net interest income will decrease because of an adverse movement in interest rates. The following table details the gap between interest sensitive assets and interest sensitive liabilities, based on the earlier of the repricing or maturity date of both on- and off-balance sheet assets and liabilities.

The gap position is presented as of the close of the business day (March 31). It represents the position of ATB for that day only and may change significantly due to customer preferences and risk management policies.

Non-interest bearing accounts are reported as non-interest sensitive. Due to the current rate environment, interest bearing accounts which no longer demonstrate a direct correlation with market interest rate movements and are no longer deemed to be sensitive are reported as non-interest sensitive.

Interest rate risk is summarized as follows:

	Term to maturity/repricing							
2001	Within 3 months	3 - 6 months	6 - 12 months	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
ASSETS								
Cash	$ 146,550	$ –	$ –	$ 146,550	$ –	$ –	$ –	$ 146,550
Effective interest rate	4.96%	–	–	4.96%	–	–	–	4.96%
Securities and interest bearing deposits with banks	1,478,162	158,588	41,949	1,678,699	–	–	–	1,678,699
Effective interest rate	5.09%	5.28%	5.45%	5.12%	–	–	–	5.12%
Loans	4,268,194	402,861	629,186	5,300,241	3,927,762	22,712	294,894	9,545,609
Effective interest rate	7.57%	7.56%	7.58%	7.57%	7.43%	8.09%	12.94%	7.68%
Other	–	–	–	–	–	–	279,685	279,685
	5,892,906	561,449	671,135	7,125,490	3,927,762	22,712	574,579	11,650,543
LIABILITIES AND EQUITY								
Deposits	3,996,392	502,279	1,473,945	5,972,616	2,794,641	–	2,151,606	10,918,863
Effective interest rate	4.30%	5.13%	4.93%	4.53%	5.58%	–	0.57%	3.92%
Other liabilities and equity	–	–	–	–	–	–	714,236	714,236
Subordinated debentures	–	–	–	–	17,444	–	–	17,444
Effective interest rate	–	–	–	–	6.08%	–	–	6.08%
	3,996,392	502,279	1,473,945	5,972,616	2,812,085	–	2,865,842	11,650,543
On-balance sheet gap	1,896,514	59,170	(802,810)	1,152,874	1,115,677	22,712	(2,291,263)	–
DERIVATIVES USED FOR ASSET/LIABILITY PURPOSES (NOTIONAL AMOUNTS)								
Pay side swaps	(1,125,000)	–	–	(1,125,000)	(430,000)	–	–	(1,555,000)
Effective interest rate	4.99%	–	–	4.99%	5.40%	–	–	–
Receive side swaps	430,000	200,000	875,000	1,505,000	50,000	–	–	1,555,000
Effective interest rate	5.04%	6.04%	5.53%	5.46%	5.40%	–	–	–
Off-balance sheet gap	(695,000)	200,000	875,000	380,000	(380,000)	–	–	–
Net gap	$ 1,201,514	$ 259,170	$ 72,190	$ 1,532,874	$ 735,677	$ 22,712	$ (2,291,263)	$ –
% of assets	10.31%	2.22%	0.62%	13.15%	6.31%	0.19%	(19.65)%	
2000								
Net gap	$ 331,709	$ 371,930	$ (550,055)	$ 153,584	$ 775,768	$ 38,198	$ (967,550)	$ –
% of assets	3.18%	3.57%	(5.27)%	1.47%	7.44%	0.37%	(9.27)%	
1999								
Net gap	$ 504,199	$ 173,708	$ (721,767)	$ (43,860)	$ 876,614	$ 28,496	$ (861,250)	$ –
% of assets	5.43%	1.87%	(7.77)%	(0.47)%	9.44%	0.31%	(9.27)%	

18. Credit Risk

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on- and off-balance sheet transactions. ATB's credit risk is significantly influenced by movements in the Alberta economy which in recent years has shown strong growth and occasional sharp declines. The credit risk is managed to ensure diversification by limiting concentrations to single borrowers and high-risk industries. The 1994 guarantee for the West Edmonton Mall financing disclosed in Note 20 is an exception. Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

19. Market Segment Information

ATB conducts its business through market segments that offer different products and services – deposit business, individual lending, agricultural lending and independent and commercial business lending. The deposit business market segment provides a wide range of deposit and investment products and sundry financial services to all clients. The lending business market segments provide a variety of credit products and services including credit cards, designed specifically for each particular group of borrowers.

Results for these market segments presented in the following table are based on ATB's internal financial reporting systems and are consistent with the accounting policies followed in the preparation of ATB's Consolidated Financial Statements. The assets and liabilities of the market segments are transfer-priced based on their nature and term to determine the net interest income. Non-interest expenses are currently not allocated to the market segments.

			Lending business			
2001	Deposit business	Individual	Agricultural	Independent business and commercial	Other *1	Total
Net interest income	$ 153,409	$ 84,389	$ 28,131	$ 73,944	$ 22,096	$ 361,969
Other income	49,527	9,497	1,762	16,770	11,519	89,075
Total revenue	202,936	93,886	29,893	90,714	33,615	451,044
Provision for credit losses	–	4,643	230	12,176	3,920	20,969
Net operating revenue	$ 202,936	$ 89,243	$ 29,663	$ 78,538	$ 29,695	$ 430,075
Non-interest expenses						268,606
Net income						$ 161,469
Average loans	$ –	$ 5,288,991	$ 1,156,234	$ 2,968,031	$ (54,819)	$ 9,358,437
Average deposits	9,112,680	–	–	–	1,361,373	10,474,053
Total assets	–	5,468,753	1,206,379	2,932,195	2,043,216	11,650,543

2000	Deposit business	Lending business: Individual	Lending business: Agricultural	Lending business: Independent business and commercial	Other *1	Total
Net interest income	$ 135,058	$ 69,726	$ 25,055	$ 67,251	$ 34,781	$ 331,871
Other income	31,533	4,912	1,710	11,055	45,350	94,560
Total revenue	166,591	74,638	26,765	78,306	80,131	426,431
Provision for (recovery of) credit losses	–	3,668	682	10,541	(56,712)	(41,821)
Net operating revenue	$ 166,591	$ 70,970	$ 26,083	$ 67,765	$ 136,843	$ 468,252
Non-interest expenses						239,762
Net income						$ 228,490
Average loans	$ –	$ 4,743,410	$ 1,062,809	$ 2,705,505	$ (55,861)	$ 8,455,863
Average deposits	8,210,056	–	–	–	1,373,391	9,583,447
Total assets	–	5,041,219	1,121,082	2,874,029	1,395,613	10,431,943

1999	Deposit business	Lending business: Individual	Lending business: Agricultural	Lending business: Independent business and commercial	Other *1	Total
Net interest income	$ 125,847	$ 63,477	$ 25,286	$ 62,711	$ 9,611	$ 286,932
Other income	29,801	6,183	1,577	8,595	27,964	74,120
Total revenue	155,648	69,660	26,863	71,306	37,575	361,052
Provision for (recovery of) credit losses	–	3,670	3,824	12,972	(16,679)	3,787
Net operating revenue	$ 155,648	$ 65,990	$ 23,039	$ 58,334	$ 54,254	$ 357,265
Non-interest expenses						246,573
Net income						$ 110,692
Average loans	$ –	$ 4,134,000	$ 1,038,757	$ 2,397,584	$ 40,885	$ 7,611,226
Average deposits	7,704,447	–	–	–	1,185,610	8,890,057
Total assets	–	4,468,832	1,063,399	2,644,704	1,104,764	9,281,699

**1 Comprised of business of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as revenue, expenses and general allowances and recoveries for credit losses not expressly attributed to the market segments. It also includes the financial implications of the West Edmonton Mall guarantee (Note 20), which is not typical of normal business activities of ATB.*

20. West Edmonton Mall Loan Guarantee

Under the terms of a guarantee agreement dated October 31, 1994, relating to the refinancing of West Edmonton Mall (WEM), ATB guaranteed to the Toronto Dominion Bank (TD Bank) repayment of a $353,300 credit facility in accordance with the terms of the agreement, and in any event by October 31, 2004.

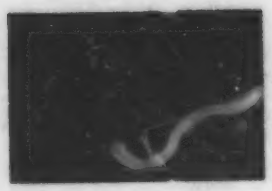
In the event that ATB is required to honour its guarantee, the net cost to ATB would be the difference between the amount then owed to the TD Bank and the proceeds from a realization or refinancing of WEM. In 1998 ATB obtained an appraisal that values WEM at $300,000. As a result of this appraisal, ATB has provided for a loan guarantee loss of $45,000, having regard to the difference between the appraised value and the amount owed to the TD Bank.

On August 25, 1998, ATB filed a Statement of Claim against the owners of WEM and others. ATB seeks to have the refinancing agreements set aside. ATB claims in the alternative that the owners of WEM have defaulted on their obligation to maintain the facility to the standard required under the loan agreements. It is management's opinion that if the facility is not properly maintained, the value of WEM could decline below $300,000, thereby potentially increasing ATB's liability under its guarantee to the TD Bank. Any increase in ATB's liability under the guarantee would be charged against earnings in the year it is identified. Management believes it has taken the necessary steps to minimize ATB's exposure under the guarantee to a point where a material addition to the existing provision is unlikely.

In April and June 1998, WEM provided ATB with copies of purported agreements dated November 15, 1994, February 23, 1996 and March 25, 1996, that purport to amend the WEM refinancing agreements dated October 31, 1994. The agreements purport to extend the term of the guarantee to 2014 and to amend the terms of repayment and other provisions of the refinancing agreements. Management believes that it will be successful in its legal action to set aside these purported amending agreements and as a result no liability to them has been established.

In December 1998, and January 1999, two counterclaims were filed in this action by the owners of WEM and others against ATB. These counterclaims are for significant amounts. In the opinion of management, these counterclaims are without merit and are unlikely to result in a material loss.

Board of Directors' Profiles



ROBERT G. BRAWN
Credit Policy Committee
Governance Committee

Robert G. Brawn (Calgary) is Chairman of the Board of Acclaim Energy Inc. In addition to having extensive experience in the energy sector, previously Mr. Brawn was Chair of the Calgary Chamber of Commerce and co-chair of the Calgary Economic Development Authority, and the Independent Petroleum Association of Canada. He is currently a director of the Churchill Corp., the Forzani Group Ltd., Parkland Industries Ltd., United Inc. and the Calgary Airport Authority.

GARY G. CAMPBELL, Q.C.
Governance Committee (Chairman)
Human Resources Committee

Gary G. Campbell Q.C., (Edmonton) is counsel with the national law firm of Miller Thomson. Mr. Campbell has served as a director of several organizations (including Edmonton 2001 World Championships in Athletics, Kids Kottage Foundation and the Alberta Paraplegic Foundation) and is presently chairman of the Alberta Cancer Board, and vice-chairman of the Alberta Economic Development Authority and chairman of its Tourism Committee. He was also the co-chairman of the Alberta Tax Review Committee, chairman of the Canadian Chamber of Commerce, North West Trust Company and Economic Development Edmonton.

J.W. (JACK) HALPIN
Credit Policy Committee

J. W. (Jack) Halpin (Calgary) is a partner with Halpin, Owen, Mayer, Kirzinger Chartered Accountants and is a Fellow of the Institute of Chartered Accountants of Alberta. Mr. Halpin was a member of the Audit Committee of the Executive Council of the Province of Alberta. He has been a partner with various accounting firms, and previously served as chairman of the Calgary General Hospital Board and the Holy Cross Hospital Disposition Committee.

BRIAN R. HEIDECKER
Credit Policy Committee (Chairman)
Human Resources Committee

Brian R. Heidecker (Coronation) is President of Drylander Ranch Ltd. He is past Chair of the Agriculture and Food Council of Alberta, whose mandate is to develop and expand the agri-food industry in Alberta. He is a member of the University of Alberta Board of Governors and the Northern Alberta Jubilee Auditorium Society Board. Mr. Heidecker served on the Board of the Bank of Canada, the Alberta Securities Commission, and the Alberta Agricultural Financial Services Corp. He was Chair of the Camrose International Development Institute and Vice-Chair of the University of Alberta Senate.

BRIAN W. HESJE
Audit Committee (Chairman)

Brian W. Hesje (Edmonton) is the President and CEO of Fountain Tire Ltd., which is recognized as one of Canada's 50 Best Managed Private Companies. He has extensive entrepreneurial and small business experience. Mr. Hesje is a Fellow of the Institute of Chartered Accountants of Alberta and is also Vice-Chairman of the Board of Governors for the Northern Alberta Institute of Technology (NAIT).

DAVID W. HUGHES
Credit Policy Committee
Governance Committee
Human Resources Committee (Chairman)

David W. Hughes (Lethbridge) is a Fellow of the Institute of Chartered Accountants of Alberta and former President and CEO of Canbra Foods Ltd. He brings to the Board business experience in the agriculture and food processing industries, including service on boards and councils. Mr. Hughes was Chair of the University of Lethbridge Board of Governors. He also has an Honorary Doctor of Laws degree from the University of Lethbridge.

IAN M. MACDONALD, AOE
Governance Committee
Human Resources Committee

Ian M. Macdonald (Fairview) has extensive experience in the cattle production industry and is currently a purebred cattle rancher. He was a founding member and Vice-Chair of the Alberta Cattle Commission and General Manager of the Peace River Livestock Co-op Ltd. from 1959 to 1979. In 1997, Mr. Macdonald was named to the Alberta Order of Excellence in recognition of his work as Chairman of the Fairview College Board of Governors for 12 years and his contribution to Alberta's cattle industry.

BRIAN E. MCCOOK
Audit Committee
Human Resources Committee

Brian E. McCook (Lloydminster) is a member of the Alberta Institute of Chartered Accountants and is President of Great Bend Financial Corp., a company providing management services to various privately owned corporations. Previously, he held senior management positions in the oilfield services industry and the building materials and construction industry. Mr. McCook is a founding director of Science Alberta, a past member of the Audit Committee of the Province of Alberta and a past member of the Alberta Financial Review Commission. He has served on the boards of various community organizations.

Allison D. O'Brien

Audit Committee

Al D. O'Brien (Edmonton) is the former Deputy Provincial Treasurer. Mr. O'Brien is a Senior Fellow of the C.D. Howe Institute, a Fellow of the Institute of Public Economics (University of Alberta), a Director of IFPT Management Inc. (Montreal), a member of the Advisory Council of the Institute of Intergovernmental Relations (Queen's University), and a member of the Alberta Premier's Advisory Council on Health. He has also served as a director with the Alberta Pension Administration Corporation, the Alberta Municipal Finance Corporation and the Credit Union Deposit Guarantee Corporation. He is currently acting as Vice President, Finance and Administration at the University of Alberta for an 18-month term.

Ralph D. Scurfield

Audit Committee
Governance Committee

Ralph D. Scurfield, B.A., J.D. (Banff) is the President and major shareholder of Sunshine Village Corp., recipient of the 1999 Alberta Employer of Youth Award. He is a member of the Law Society of Alberta and State Bar of California, and holds a Certificate in Tourism Management from Simon Fraser University and a Certificate in Management Studies from the Oxford University Advanced Management Programme. Mr. Scurfield has considerable experience in the areas of tourism and independent business and was a finalist in the 1996 Entrepreneur of the Year Award. He has served on private sector boards in the hotel and financial services industries, as well as on tourism associations and local government councils. He is also a Director of Eclipse Exploration Ltd.

Gail D. Surkan

Audit Committee
Credit Policy Committee

Gail D. Surkan (Red Deer) is the Mayor of the City of Red Deer. She is on the Board of Trustees for the Alberta Heritage Foundation for Medical Research and is a Board member of the Alberta Congress Board and a member of the Strategic Tourism Marketing Council. Prior to her career as an elected official, Ms. Surkan was an economic development consultant.

Ron P. Triffo

Chairman of the Board
Credit Policy Committee

Ron P. Triffo (Edmonton) is Chairman of the Board, Director and past CEO of Stantec Inc. He is also Vice-Chairman of the Board of TELUS. A Fellow of the Canadian Academy of Engineering, he brings to the Board significant experience in the consulting engineering industry, general business and service on private and public sector boards. These currently include the Alberta Heritage Foundation for Science and Engineering Research; the Council of the Association of Professional Engineers, Geologists and Geophysicists of Alberta; the Advisory Councils of the Faculties of Business and Medicine at the University of Alberta; and the Board of Governors of Junior Achievement of Northern Alberta and the Northern Alberta Institute of Technology (NAIT). Mr. Triffo was Alberta Venture Magazine's recipient of its 1997 Business Person of the Year award.

Corporate Information

Board of Directors

Ron P. Triffo
Chairman
Edmonton

Robert G. Brawn
Calgary

Gary G. Campbell
Edmonton

J.W. (Jack) Halpin
Calgary

Brian R. Heidecker
Coronation

Brian W. Hesje
Edmonton

David W. Hughes
Lethbridge

Ian M. Macdonald, AOE
Fairview

Brian E. McCook
Lloydminster

Al D. O'Brien
Edmonton

Ralph D. Scurfield
Banff

Gail D. Surkan
Red Deer

Executive Officers

Paul Haggis
President & Chief Executive Officer

Bob Ascah
Senior Vice-President
Policy and Strategic Planning

Ken Casey
Vice-President
Branch Operations

Sandy Chipchar
Vice-President
Human Resources

Kerry Day
Vice-President
Legal and Corporate Secretary

Darlene Dickinson
Vice-President
Public Affairs

Brian Digby
Executive Vice-President
Marketing

Sheldon Dyck
Vice-President
Urban IB and Retail Sales

Lukasz Forys
Vice-President
Treasury and Global Financial Markets

Amolak Grewal
Senior Vice-President
Electronic and Centralized Services

Howard Ho
Vice-President
Electronic Banking

Larry Kaumeyer
Vice-President
Direct Sales

Ed Knash
Vice-President
Agri-Industry Products

Erv Krawchuk
Acting Vice-President
Internal Audit

Cathy Lane
Vice-President
Credit Policy and Enterprise Risk Management

Joe Leuwer
Vice-President
Information Technology

Ken Littlewood
Senior Vice-President
Asset Management

Bob Mann
Senior Vice-President
Credit

Wayne Martinson
Vice-President
Risk Management

Ron Metro
Vice-President
Regional Sales

Shelly Miciak
Vice-President
Credit Risk and Portfolio Management

Gord Mooney
Vice-President
Credit

Bob Normand
Executive Vice-President
Sales

Lenka Stuchlik
Vice-President and Comptroller

Craig Warnock
Chief Financial Officer

Regional Vice-Presidents

Michael Baker
Central West

Marvin Bragg
Northeast

Kelly Burgess
Southwest

Kerry Dalton
Central East

Deane Fossen
Southeast

Jay Hamblin
Edmonton Business Sales

Keith Hughes
Northwest

Peter O'Neill
Calgary Retail

Dean Ozanne
Peace Country

Mike Ryan
Edmonton Retail

Robert Sutherland
Calgary Business Sales

Public Meeting

Our Annual Public Meeting will be held on Wednesday, July 4, 2001 at 10:00 a.m., at the Fairmont Hotel Macdonald, 10065 – 100 Street, Edmonton, Alberta.